



DRAFT

CITY OF SANTA BARBARA

COUNCIL AGENDA REPORT

AGENDA DATE: April 9, 2024

TO: Mayor and Councilmembers

FROM: Water Resources Division, Public Works Department

SUBJECT: Proposed Utility Rates

RECOMMENDATION: That Council:

- A. Receive a presentation on proposed water and wastewater rates for Fiscal Years 2025 - 2028, and solid waste rates for Fiscal Year 2025;
- B. Set a Public Hearing date for June 25, 2024, at 2:00 p.m., for consideration of increases to the City's water, wastewater, and solid waste rates; and
- C. Direct staff to send a Notice of Public Hearing to customers informing them of the Public Hearing and proposed changes to water, wastewater, and solid waste rates.

EXECUTIVE SUMMARY:

The City operates full-service water and wastewater utilities and administers a solid waste contract with Marborg Industries. The City recovers the costs for operating water, wastewater, and solid waste services through a monthly utility bill. The revenues from these services must be sufficient to meet the ongoing cost of operating. The water and wastewater enterprises are a full-service operation, which includes all necessary staffing to operate and maintain the utility, ongoing investments in capital improvements, servicing long-term debt obligations, and maintaining adequate policy reserves.

To evaluate the utilities' revenue sufficiency, the City's rate consultant analyzed a 10-year planning period and a four-year rate-setting period (Fiscal Years 2025-2028). Over the rate-setting period, the total revenue requirements for the Water and Wastewater Funds are increasing due to inflation outpacing assumptions in previous water and wastewater rate models for both operations and maintenance and capital, significant increases in allocated costs including property and liability insurance, and increased capital policy reserve minimums due to increases in operating and capital costs. As a result, the City's rate consultant is recommending increases in the City's water and wastewater rates to sufficiently meet the needs of the water and wastewater utilities over the next four years.

DISCUSSION:

Background

On October 3, 2023, City Council approved a contract with HDR Engineering Inc. (HDR) to conduct comprehensive water and wastewater rate studies and 10-year financial plans for each utility. The City regularly conducts water and wastewater rate studies, which include rate revenue projections for the next 10 years. The last water rate study was completed in 2021 and the last wastewater rate study was completed in 2022. HDR and staff have been presenting regularly to the Water Commission, Finance Committee, and Council to receive feedback and input on the policy direction of the proposed rates. Included below is a summary of the public meetings:

Meeting Date	Meeting Body	Meeting Summary
September 21, 2023	Water Commission	Recommended that City Council authorize staff to execute a contract with HDR for a rate study.
October 3, 2023	City Council	Authorized staff to execute a contract with HDR for a rate study.
October 19, 2023	Water Commission	Introduced the governing principles and goals of the water and wastewater rate study.
January 18, 2024	Water Commission	Presented revenue requirement options for water and wastewater. The options for each utility included varying levels of capital funding and the use of reserves below the policy level. Received input from the Commission on which option to pursue.
February 27, 2024	Finance Committee	Presented revenue requirement options for water and wastewater. The options for each utility included varying levels of capital funding and the use of capital reserves below the policy level. Recommended that City Council direct staff complete a cost of service analysis and return with a final rate notice.
February 27, 2024	Council	Presented revenue requirement options for water and wastewater. The options for each utility included varying levels of capital funding and the use of capital reserves below the policy level. City Council directed staff to complete a cost of service analysis and return with a final rate notice.

Solid Waste Rate Change for Fiscal Year 2025

Section to be added by Sustainability and Resiliency Department after the March 21, 2024 Water Commission meeting has concluded.

Wastewater Rate Changes for Fiscal Years 2025 - 2028

The City's wastewater system plays an essential role in protecting public health and the environment. Maintaining the City's wastewater system requires a proactive commitment to investing in the capital infrastructure and resources necessary to keep this vital system operating 24 hours a day, 365 days per year. The City's complex wastewater system includes 256 miles of sewer mains, 7 lift stations, 25 creek crossings, over 7,000 access structures (manholes and cleanouts), two miles of pressurized force mains, and the El Estero Water Resource Center (El Estero) – all of which must operate seamlessly to process approximately 2 billion gallons of wastewater annually.

Revenue Requirement and Cost of Service Analysis

During the rate-setting period, revenues must be sufficient to meet the cost of the City's wastewater system, including operations and maintenance expenses, capital improvements, mandated standards of treatment, principal and interest payments on existing debt, reserves, and other obligations. In addition, recent inflation has outpaced the assumptions in previous wastewater models for both operations and maintenance and capital costs. The wastewater utility is also experiencing significant increases in allocated costs including property and liability insurance, and increased reserve minimums due to increased operating and capital costs. The sum of these factors contributes to the need for an average annual revenue increase¹ of 9.5%.

To help mitigate rate impacts to customers, capital reserves are being drawn down below minimum policy levels. This results in capital reserves dropping below City policy in multiple years, with a maximum of \$1.3M (~10%) below Council policy in FY 2028. Reserves are projected to return to City policy levels in FY 2030 (outside of this 4-year rate-setting period) based on the 10-year financial plan assumptions.

The total revenue requirement less non-rate revenue from other sources is defined as the "cost of service" for any given fiscal year. After determining the cost of service, rates are then designed to apportion the cost of service among the customer classes, according to the proportionate share of costs of service attributable to the customer classes. A cost of service analysis is forward-looking and determines the proportional distribution of the revenue requirement to the City's customer classes of service (i.e., residential, commercial).

Rate Structure

No changes to the City's wastewater rate structure are proposed for this study. Residential wastewater bills are made up of two components: (1) a volumetric charge based on water usage, and (2) a fixed monthly base charge based on the number of dwelling units served

¹ It is important to note that rate revenue increases do not equate to rate increases, or bill impacts, to individual customer classes of service. For example, a single-family residence with average wastewater use may see different impacts than a commercial customer.

by the account. For single-family customers, wastewater volumetric charges are capped at 8 HCF of water use. The purpose of limiting the volumetric charges is to recognize that water use above a certain level is likely being used for outdoor watering, which does not enter the wastewater collection system or receive treatment at El Estero. The multi-family customer class does not exhibit a strong outdoor irrigation pattern, meaning most water usage is being used primarily indoors and discharged to the City's wastewater system. Therefore, there is no volumetric cap for multi-family residential customers.

There are two commercial classes of service: Commercial, and Commercial High Strength/Industrial. Both classes are charged the greater of their volumetric charges or minimum monthly bill amount based on the water meter size.

The City has a High Strength Surcharges fee to cover the additional treatment costs associated with waste streams with high strength levels. Discharges that fall in this category include but are not limited to, domestic septic tank/portable restroom discharges, industrial laundry services, and alcohol beverage manufacturing (brewery, wineries, and distilleries). The cost of service analysis has determined the proportional allocation of costs on a per-pound basis for Biochemical Oxygen Demand (BOD), Total Suspended Solids (TSS), and Ammonia. The vast majority of commercial customers do not receive High Strength Surcharges.

Water Rate Changes for Fiscal Years 2025-2028

Revenue Sufficiency

On a long-term basis, revenues must be sufficient to meet the cost of the City's Water System, including operations and maintenance expenses, capital improvements, mandated standards of treatment, principal and interest payments on existing debt, Council policy reserves, and other obligations. Additional rate impacts are due to inflation outpacing assumptions in previous water models for both operations and maintenance and capital, significant increases in allocated costs including property and liability insurance, and increased reserve minimums due to increased operating and capital costs. The sum of these factors contributes to an annual revenue increase² of 10.5% for Fiscal Years 2025-2026 and 10% for Fiscal Years 2027-2028.

Capital reserve funds are being drawn down to mitigate rate impacts to customers. This results in capital reserves dropping below City policy in multiple years, with a maximum of \$6.3M (~20%) below council policy in FY 2026. Reserves are anticipated to return to City policy levels in FY 2029 (outside of this 4-year rate-setting period) based on the 10-year financial plan assumptions.

Upcoming capital improvements include: replacing six miles of water main annually (2% of the system), transmission system upgrades, reservoir replacement, and water treatment

² It is important to note that rate revenue increases do not equate to rate increases, or bill impacts, to individual customer classes of service. For example, a single-family residence with average water use may see different impacts than a commercial customer.

facility upgrades. Continued investment in the water system is essential to providing safe and reliable drinking water to the City's customers. Additionally, the proposed rates will be sufficient to meet all financial obligations of the utility, including debt service and coverage requirements.

Rate Structure

Water bills are made up of two components: (1) a volumetric charge based on water usage, and (2) a fixed monthly service charge based on meter size. Even though the majority (~85%) of costs to maintain and operate the water system are fixed, the City's water rate structure is designed to minimize increases to fixed charges and collect the majority (~70%) of revenue through volumetric charges, which are dependent on water usage. This gives customers an opportunity to reduce their water bill by decreasing water usage.

City Council has established priorities for allocating water sources to the different classes and tiers within classes. The lowest-cost water sources are allocated to Tier 1 customers, and the more expensive water sources are allocated to the highest tiers, as water supplies are limited and higher water use is generally for discretionary purposes beyond efficient irrigation use and basic health and sanitation needs.

The City's tiered rate structure is supported by a diverse water supply portfolio, with different supply costs for each of the City's associated water sources. It is important to recognize that water used from the City's various water sources can change from year to year based on operational and management objectives aiming to provide reliable and cost-effective water service. To improve stability in water rates, the City's rate consultant has calculated the volumetric water rates based on the long-term potential supply yield from each of the City's water sources, subject to capacity or operational constraints. This approach reduces rate volatility resulting from year-to-year changes in supply sources without affecting the potential yields used in water rate calculations.

Rates Based on Proposition 218 Cost of Service Analysis

The total revenue requirement, less non-rate revenue from other sources, such as payments made by other agencies that use the City's water treatment plant and interest earnings, is defined as the "cost of service." This cost of service is used as the basis for distributing costs to the City's customer classes. Rates are designed in accordance with Proposition 218 so that each customer class, and tiers within each customer class, pay a proportionate share of costs, based on the cost of service to supply water.

The tables below show examples of wastewater and water bills for single-family homes based on various usage levels.

Wastewater

Usage Level	Monthly Usage (HCF)	Current Bill	Proposed FY 25 Bill	Proposed FY 26 Bill	Proposed FY 27 Bill	Proposed FY 28 Bill
Low	4	\$44.12	\$48.02	\$52.58	\$57.57	\$63.06
Moderate	10	\$61.24	\$66.14	\$72.42	\$79.29	\$86.86
High	20	\$61.24	\$66.14	\$72.42	\$79.29	\$86.86
HCF: Hundred Cubic Feet (1 HCF = 748 gallons)						

Water

Below example based on a 5/8" meter

Usage Level	Monthly Usage (HCF)	Current Bill	Proposed FY 25 Bill	Proposed FY 26 Bill	Proposed FY 27 Bill	Proposed FY 28 Bill
Low	4	\$53.00	\$58.17	\$64.25	\$70.69	\$77.77
Moderate	10	\$144.14	\$150.03	\$165.77	\$182.35	\$200.59
High	20	\$349.44	\$381.49	\$421.53	\$463.69	\$510.05
HCF: Hundred Cubic Feet (1 HCF = 748 gallons)						

Outreach

The City has been ramping up public outreach associated with the anticipated water and wastewater rate changes. Since the individual and collective increases are larger than has been experienced in recent years, it will require a heightened level of communication to raise awareness and ensure customers understand the facts behind the main cost drivers. Key messages and talking points have been developed to guide communication efforts and touch on the most common questions or misinterpretations from customers.

In April, the Proposition 218 Notice that is required to be sent to customers (and is quite prescriptive), will also include a supplemental fact sheet that will discuss the infrastructure investments that are needed for our aging water and wastewater systems (see attachment). The City has been including infrastructure investment information in the monthly utility bill insert, the weekly City News in Brief email newsletter, and the quarterly Water Resources email newsletter. Additional outreach will be sent through these avenues as the rate noticing period commences. Staff will create a webpage specific to the current rate changes and the reasons for the increases, as well as a frequently asked questions section. The supplemental fact sheet, webpage, and FAQs will be translated into Spanish. Social media outreach will be conducted on Facebook, Nextdoor, and X (formerly Twitter) as well as an announcement on the new WaterSmart customer portal. Additionally, staff are planning a public webinar for May 22, 2024 to share information about the rates process and gather feedback.

The City is not alone with the significant jump in costs of service. Many agencies locally and around the state are taking actions to increase rates to match the costs of service.

BUDGET/FINANCIAL INFORMATION:

The proposed rate schedules support the Water and Wastewater Funds budget submittals for Fiscal Year 2025 and align the funds with their 10-year financial plan. Over the four-year rate-setting period, the proposed water and wastewater rates will generate necessary rate revenue, which when combined with non-rate revenue and use of reserves, will be sufficient to support the costs of operating and maintaining the water and wastewater systems. Under the proposed water and wastewater rate structures, the City will utilize non-rate revenue and capital reserves below policy level to reduce, or “buy down”, the revenue requirement, which is the total amount of funding that needs to be generated from ratepayers in any given year.

The City has executed two long-term water supply agreements: (1) a Recycled Water Agreement with the La Cumbre Mutual Water Company, and (2) a Water Supply Agreement (WSA) with Montecito Water District for the sale of potable water secured by the Charles E. Meyer Desalination Plant. Without these agreements, particularly the WSA, the City would need to either significantly increase rates above what is being proposed, reduce planned capital investments in aging infrastructure, or execute a combination of these actions. Continuous deferral of capital funding would lead to underinvestment in the water system, leading to more frequent emergency repairs and higher maintenance costs in the future.

WATER COMMISSION RECOMMENDATION:

This item was presented to the Water Commission on March 21, 2024, and the Commission voted **X:X:X** in support of staff’s recommendations relating to water and wastewater rates.

ATTACHMENTS: 1. Draft Notices of Public Hearing on Utility Rates
2. Draft Supplemental Rate Fact Sheet

PREPARED BY: Joshua Haggmark, Water Resources Manager/GC/Im

SUBMITTED BY: Clifford M. Maurer, Public Works Director

APPROVED BY: City Administrator’s Office



NOTICE OF PUBLIC HEARING: PROPOSED CHANGES TO CITY OF SANTA BARBARA WATER RATES

Date: Tuesday, June 25, 2024, 2:00 p.m.

Place: City of Santa Barbara Council Chambers, City Hall, 735 Anacapa Street, Santa Barbara

The hearing may be attended electronically. Meeting details will be posted no less than 72 hours prior to the start of the Public Hearing on the City Council meeting agenda located at SantaBarbaraCA.gov/CAP

PROPOSED WATER RATES FOR: FISCAL YEARS 2025, 2026, 2027, AND 2028

**You are receiving this notice because our records indicate that you are a City of Santa Barbara utility customer.
If you are not a City water customer, please disregard this Notice.**

This Notice describes proposed changes to water rates and explains how you can participate in the public process. The City's water rate structure is based on a comprehensive rate study that uses a rate model to evaluate the cost of water service, as required by Article XIII D, Section 6 of the California constitution.

Why are water rates changing?

The proposed water rates will ensure that the City continues to provide safe and reliable water service by funding the ongoing cost of operating and maintaining the City's water system, including investing in capital infrastructure, meeting water quality standards, servicing debt obligations, and funding reserves.

What goes into a water bill?

Most water bills are made up of two key components: (1) a volumetric charge based on water usage, and (2) a fixed monthly service charge based on meter size. The City's rate structure limits the amount of revenue recovered from fixed charges, resulting in customers having more control over the total cost of their water bill by reducing water usage. Please refer to the second page of this notice for detailed information on proposed volumetric and fixed monthly charges.

How will the proposed changes impact my water bill?

Customers are encouraged to use the online water rate calculator at SantaBarbaraCA.gov/RateCalculator to see how the new rates could impact their bill. The table below shows sample water bills for single family homes based on various levels of usage and a 5/8" meter.

Usage Level	Monthly Usage (HCF)	Current Bill	Proposed FY25 Bill	Proposed FY26 Bill	Proposed FY27 Bill	Proposed FY28 Bill
Low	4	\$53.00	\$58.17	\$64.25	\$70.69	\$77.77
Moderate	10	\$144.14	\$150.03	\$165.77	\$182.35	\$200.59
High	20	\$349.44	\$381.49	\$421.53	\$463.69	\$510.05

The average single family home uses 8 HCF per month and would see their water bill increase from \$113.76 to \$119.41, for FY25, reflecting a difference of \$5.65. (or an increase of approximately 5%).

When do the new rates take effect? City Council will consider adopting water rates on **July 2, 2024**. The new rates will be **effective July 2, 2024**.

How do I stay informed?

- **Watch** City Council meetings online at SantaBarbaraCA.gov/CityTV or tune in to City TV Channel 18.
- **Explore** updated information on water rate changes at SantaBarbaraCA.gov/WaterRateChanges.
- **Contact** City staff at (805) 564-5387. Para información en Español, llame al (805) 564-5343.
- **Attend** City Council meetings electronically; Visit SantaBarbaraCA.gov for meeting participation details.

Please note, the rates included in this Notice are the highest possible rates that could go into effect July 2, 2024.

**CHECK OUT THE WATER RATE CALCULATOR AT:
WWW.SANTABARBARACA.GOV/RATECALCULATOR**

TABLE 1 – PROPOSED MAXIMUM VOLUMETRIC CHARGES
 All rates are in \$/HCF. (1 HCF [Hundred Cubic Feet] = 748 gallons)

Customer Class	Tiers	Current	Proposed			
			FY25	FY26	FY27	FY28
Single Family Residential	First 4 HCF	\$5.10	\$5.49	\$6.06	\$6.67	\$7.34
	Next 12 HCF	\$15.19	\$15.31	\$16.92	\$18.61	\$20.47
	All other HCF	\$28.54	\$34.90	\$38.56	\$42.42	\$46.66
Multi-Family Residential	First 4 HCF (per dwelling unit)	\$5.10	\$5.49	\$6.06	\$6.67	\$7.34
	Next 4 HCF (per dwelling unit)	\$15.19	\$15.31	\$16.92	\$18.61	\$20.47
	All other HCF	\$28.54	\$34.90	\$38.56	\$42.42	\$46.66
Commercial/Industrial	100% of base allotment	\$7.77	\$8.19	\$9.05	\$9.96	\$10.96
	All other HCF	\$28.45	\$37.82	\$41.80	\$45.98	\$50.58
Irrigation – Residential & Commercial	100% of monthly water budget*	\$15.19	\$15.31	\$16.92	\$18.61	\$20.47
	All other HCF	\$28.54	\$34.90	\$38.56	\$42.42	\$46.66
Irrigation – Recreation/Parks/Schools	100% of monthly water budget*	\$5.98	\$7.26	\$8.02	\$8.83	\$9.71
	All other HCF	\$28.54	\$34.90	\$38.56	\$42.42	\$46.66
Irrigation – Agriculture	100% of monthly water budget*	\$3.98	\$5.13	\$5.67	\$6.24	\$6.86
	All other HCF	\$28.54	\$34.90	\$38.56	\$42.42	\$46.66
Recycled Water	All HCF	\$4.99	\$6.10	\$6.74	\$7.41	\$8.15

*What is a Monthly Water Budget? The Monthly Water Budget for irrigation accounts is a calculation of Tier 1 allotment based on the property's irrigated landscape area and the monthly watering needs of plants.

TABLE 2—PROPOSED MAXIMUM FIXED MONTHLY SERVICE CHARGES

		5/8"	3/4"	1"	1 ½"	2"	3"	4"	6"	8"	10"
	Current	\$32.60	\$47.73	\$77.97	\$153.59	\$244.33	\$531.67	\$955.12	\$1,968.37	\$3,631.93	\$5,749.18
Proposed	FY25	\$36.21	\$52.50	\$85.09	\$166.55	\$264.30	\$573.86	\$1,030.06	\$2,121.66	\$3,913.84	\$6,194.80
	FY26	\$40.01	\$58.01	\$94.02	\$184.04	\$292.06	\$634.12	\$1,138.21	\$2,344.43	\$4,324.79	\$6,845.26
	FY27	\$44.01	\$63.81	\$103.42	\$202.44	\$321.26	\$697.53	\$1,252.03	\$2,578.87	\$4,757.27	\$7,529.78
	FY28	\$48.41	\$70.20	\$113.76	\$222.68	\$353.39	\$767.28	\$1,377.24	\$2,836.76	\$5,233.00	\$8,282.76

Note: Multi-family auxiliary master meters that serve submeters owned by the City are subject to a monthly operations and maintenance fee not to exceed \$136 per month in FY2025, \$151 per month in FY2026, \$166 per month in FY2027, and \$182 in FY2028.

TABLE 3—PROPOSED MAXIMUM FIXED MONTHLY PRIVATE FIRE SERVICE CHARGES (IF REQUIRED)

		1"	1 ½"	2"	4"	6"	8"	10"	12"
	Current	\$3.33	\$5.18	\$8.37	\$39.58	\$110.47	\$232.76	\$416.70	\$671.63
Proposed	FY25	\$4.67	\$6.67	\$10.12	\$43.86	\$120.51	\$252.72	\$451.58	\$727.20
	FY26	\$5.16	\$7.37	\$11.19	\$48.47	\$133.17	\$279.25	\$499.00	\$803.56
	FY27	\$5.68	\$8.11	\$12.30	\$53.31	\$146.48	\$307.18	\$548.90	\$883.91
	FY28	\$6.25	\$8.92	\$13.54	\$58.65	\$161.13	\$337.90	\$603.79	\$972.30

How do I protest? If you wish to submit a written protest of any of the above increases, your protest must be received by the City Clerk of the City of Santa Barbara at 735 Anacapa Street, Santa Barbara, CA, 93101, prior to the City Council's consideration of this item on June 25, 2024. **Protests must include your name, service address, and whether you are protesting the amount of the fee increase, the basis for calculation of the fee, or both.** Written protests may be mailed to or delivered in-person at the address above, or deposited in the bill payment drop box slot located on the exterior of the building on the De La Guerra Plaza side. Only written protests received before the close of the public hearing on June 25, 2024, will be counted. During the hearing, the City Council will consider all protests and public testimony. Protests are public records. One written protest per parcel or service address will be tabulated. If you later challenge the rates in court, you may be limited to the grounds stated in your protest. If you challenge the City's rate setting action in court, you may be limited to the issues and grounds raised in a written protest or in public testimony at the public hearing. There is a 120-day statute of limitation for challenging any new, increased, or extended fee or charge (California Government Code Section 53759).



NOTICE OF PUBLIC HEARING: PROPOSED CHANGES TO CITY OF SANTA BARBARA WASTEWATER RATES

Date: Tuesday, June 25, 2024, 2:00 p.m.

Place: City of Santa Barbara Council Chambers, City Hall, 735 Anacapa Street, Santa Barbara
The hearing may be attended electronically. Meeting details will be posted no less than 72 hours prior to the start of the Public Hearing on the City Council meeting agenda located at SantaBarbaraCA.gov/CAP

PROPOSED WASTEWATER RATES FOR: FISCAL YEARS 2025, 2026, 2027, AND 2028

You are receiving this notice because our records indicate that you are a City of Santa Barbara utility customer. If you are not a City wastewater customer, please disregard this Notice.

This Notice describes proposed changes to wastewater rates and explains how you can participate in the public process. The City's wastewater rates are based on a comprehensive rate study that uses a rate model to evaluate the cost of wastewater service, as required by Article XIII D, Section 6 of the California constitution.

Why are wastewater rates changing?

The City's wastewater system plays a leading role in the protection of public health and the environment. Maintaining the wastewater system requires a proactive commitment to investing in the capital infrastructure and resources necessary to keep this vital system operating 24 hours a day, 365 days per year. The proposed rate changes will enable the City to meet the needs of the wastewater system, including operation and maintenance costs, capital improvements, mandated standards of treatment, debt service, contingency reserves, and other financial obligations.

What goes into a wastewater bill?

Residential wastewater bills are made up of two key components: (1) a volumetric charge based on water usage, and (2) a fixed monthly base charge. For single-family customers, wastewater volumetric charges are not charged over a certain level of water use. Commercial customers are charged the greater of their volumetric charges or minimum monthly bill amount based on meter size.

How do I stay informed?

- **Watch** City Council meetings online at SantaBarbaraCA.gov/CityTV or tune in to City TV Channel 18.
- **Explore** information on rate changes at SantaBarbaraCA.gov/WaterRateChanges.
- **Contact** City staff at (805) 564-5387.
- **Attend** City Council meetings: visit SantaBarbaraCA.gov/CAP for meeting details.

How will the proposed changes impact my wastewater bill?

The table below shows sample wastewater bills for common service levels.

Customer Class	Account Characteristics	Usage (hcf/mth)	Total Monthly Wastewater Charges		
			Current Bill	FY 25 Proposed Bill	Difference
Single Family Residential	5/8" meter	8	\$61.24	\$66.14	\$4.90
Multi-Family Residential: 1-4 Attached Units*	1 unit in a small multi-unit complex	4	\$44.12	\$48.02	\$2.90
Multi-Family Residential: 5 or more Attached Units**	1 unit in a large multi-unit complex	4	\$44.12	\$48.02	\$2.90
Commercial	1" Meter	14	\$90.46	\$93.24	\$2.78

*Applicable to all accounts serving two to four detached dwelling units, Accessory Dwelling Units served by their own water meter, and all accounts serving a dwelling unit attached to no more than 3 additional dwelling units.

**Applicable to all accounts serving five or more dwelling units, and to accounts serving a dwelling unit attached to 4 or more additional dwelling units.

TABLE 1—WASTEWATER PROPOSED RESIDENTIAL FIXED & VOLUMETRIC RATES

1 HCF (hundred cubic feet) = 748 gallons. FY = fiscal year July 1—June 30

Customer Class	Charge Type	Current	Proposed			
			FY25	FY26	FY27	FY28
Single Family Residential	Monthly Base Charge (\$/Dwelling Unit)	\$27.00	\$29.90	\$32.74	\$35.85	\$39.26
	Usage Charge up to 8 HCF (\$/HCF)	\$4.28	\$4.53	\$4.96	\$5.43	\$5.95
Multi-Family Residential 4 or less Dwellings	Monthly Base Charge (\$/Dwelling Unit on account)	\$27.00	\$29.90	\$32.74	\$35.85	\$39.26
	Usage Charge (\$/HCF)	\$4.28	\$4.53	\$4.96	\$5.43	\$5.95
Multi-Family Residential 5+ Dwellings	Monthly Base Charge (\$/Dwelling Unit on account)	\$27.00	\$29.90	\$32.74	\$35.85	\$39.26
	Usage Charge (\$/HCF)	\$4.28	\$4.53	\$4.96	\$5.43	\$5.95

Commercial and Commercial High Strength/Industrial customers are charged a fixed charge based on meter size (Tables 2-3), or a volumetric charge based on the quantity of water consumed (Table 4), whichever is greater.

TABLE 2— WASTEWATER PROPOSED COMMERCIAL FIXED CHARGES BY METER SIZE

	5/8"	3/4"	1"	1 1/2"	2"	3"	4"	6"	8"	10"
Current	\$51.69	\$77.54	\$90.46	\$129.23	\$206.76	\$387.68	\$646.13	\$1,292.25	\$2,067.60	\$2,972.18
FY 2025	\$53.28	\$79.93	\$93.24	\$133.21	\$213.12	\$399.61	\$666.01	\$1,332.00	\$2,131.20	\$3,063.61
FY 2026	\$58.34	\$87.51	\$102.10	\$145.85	\$233.36	\$437.55	\$729.25	\$1,458.50	\$2,333.60	\$3,354.55
FY 2027	\$63.88	\$95.82	\$111.79	\$159.70	\$255.52	\$479.10	\$798.50	\$1,597.00	\$2,555.20	\$3,673.10
FY 2028	\$69.95	\$104.92	\$122.41	\$174.87	\$279.79	\$524.61	\$874.36	\$1,748.72	\$2,797.94	\$4,022.04

TABLE 3— WASTEWATER PROPOSED COMMERCIAL HIGH STRENGTH/INDUSTRIAL FIXED CHARGES BY METER SIZE

	5/8"	3/4"	1"	1 1/2"	2"	3"	4"	6"	8"	10"
Current	\$59.70	\$89.55	\$104.48	\$149.25	\$238.80	\$447.75	\$746.25	\$1,492.50	\$2,388.00	\$3,432.75
FY25	\$66.31	\$99.46	\$116.05	\$165.78	\$265.24	\$497.33	\$828.88	\$1,657.75	\$2,652.40	\$3,812.83
FY26	\$72.61	\$108.91	\$127.07	\$181.53	\$290.44	\$544.58	\$907.63	\$1,815.25	\$2,904.40	\$4,175.08
FY27	\$79.51	\$119.27	\$139.14	\$198.78	\$318.04	\$596.33	\$993.88	\$1,987.75	\$3,180.40	\$4,571.83
FY28	\$87.06	\$130.60	\$152.36	\$217.66	\$348.25	\$652.98	\$1,088.29	\$2,176.59	\$3,482.54	\$5,006.15

TABLE 4— WASTEWATER PROPOSED VOLUMETRIC RATES (\$/HCF)

Customer Class	Current	Proposed			
		FY25	FY26	FY27	FY28
Commercial	\$5.27	\$6.56	\$7.18	\$7.86	\$8.61
Commercial High Strength/Industrial	\$6.65	\$7.23	\$7.92	\$8.67	\$9.49

TABLE 5— WASTEWATER PROPOSED STRENGTH SURCHARGES (\$/LB)***

	Current	FY25	FY26	FY27	FY28
BOD (>750 mg/l)	\$0.34	\$0.30	\$0.33	\$0.36	\$0.39
TSS (>850 mg/l)	\$0.48	\$0.58	\$0.64	\$0.70	\$0.77
Ammonia (>90 mg/l)	\$1.17	\$1.37	\$1.50	\$1.64	\$1.80

***If the City's Water Resources Laboratory determines that a customer has exceeded the high strength discharge limit for Biochemical Oxygen (BOD), Total Suspended Solids (TSS), or Ammonia, a surcharge will be assessed for each constituent in excess of its relative limit.

How do I protest? If you wish to submit a written protest of any of the above increases, your protest must be received by the City Clerk of the City of Santa Barbara at 735 Anacapa Street, Santa Barbara, CA, 93101, prior to the City Council's consideration of this item on June 25, 2024. **Protests must include your name, service address, and whether you are protesting the amount of the fee increase, the basis for calculation of the fee, or both.** Written protests may be mailed to or delivered in-person at the address above, or deposited in the bill payment drop box slot located on the exterior of the building on the De La Guerra Plaza side. Only written protests received before the close of the public hearing on June 25, 2024, will be counted. During the hearing, the City Council will consider all protests and public testimony. Protests are public records. One written protest per parcel or service address will be tabulated. If you later challenge the rates in court, you may be limited to the grounds stated in your protest. If you challenge the City's rate setting action in court, you may be limited to the issues and grounds raised in a written protest or in public testimony at the public hearing. There is a 120-day statute of limitation for challenging any new, increased, or extended fee or charge (California Government Code Section 53759).



Replacing Aging Infrastructure, Investing for Today and Tomorrow



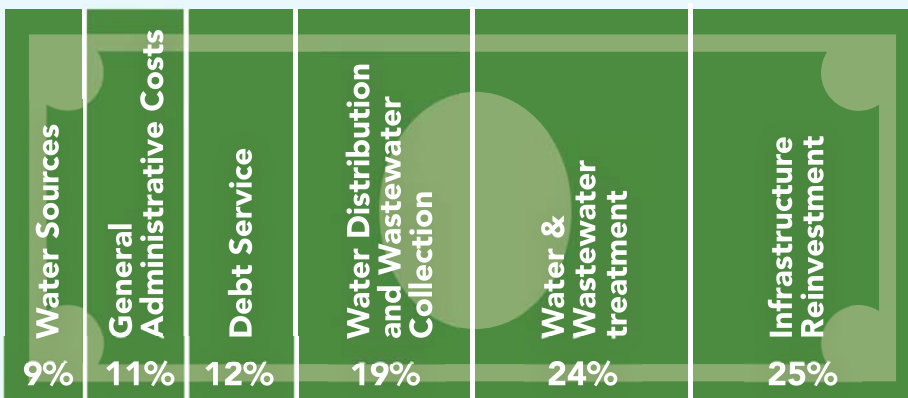
Santa Barbara’s water and wastewater systems represent some of the largest public infrastructure investments in our City. Replacing aging pipes and facilities – some dating back to the 1890s - requires significant funds to ensure safe, reliable service 24 hours a day, 365 days a year, while also achieving the City’s sustainability goals, addressing impacts of climate change, and protecting public health and our environment.

Ensuring Sufficient Rates to Fund Critical Infrastructure

To implement a vital, long-term plan to replace the aging infrastructure for water and wastewater, and to ensure reliable, 24/7 service, the City is proposing annual rate adjustments over the next four years. This recommendation is based on the cost to provide services to ensure rates are sufficient to:

- Cover costs needed to operate and maintain the City’s extensive water and wastewater system which includes 320 miles of water mains, 256 miles of sewer pipes, and other essential facilities.
- Invest in critical improvement projects, including replacing old pipes and infrastructure that have reached the end of their useful lives (with a priority on those installed from 1890 to 1930). Outside costs for this type of work have increased by 20% or more per year since 2020.
- Recover from inflationary increases that have far outpaced the costs rates were initially set to recover.

What Your Bill Pays For



Your monthly bill helps ensure we keep our water and wastewater systems maintained and operating around the clock, which is key to protecting public health and the environment.

Water is Essential

Water is a vital resource in our modern life, and still remains one of the least expensive goods we consume.



\$0.02
City water



\$4.26
Milk



\$5.83
Bottled water



\$5.03
Gasoline

Average price per gallon (Source: Numbeo)

Proposed Rate Increases

As a public utility, our rates can only include the costs of providing water and wastewater utility services. Revenues from rates are used to run the utilities and do not generate profit or go towards other City programs. Rates also must be proportionally distributed among customer classifications such as residential, commercial and irrigation users.

Unfortunately, “do nothing” is not an option for maintaining critical infrastructure. Delaying important investments will only make it more expensive in the future and/or could lead to emergencies that will be exponentially more expensive and disruptive than planned maintenance.

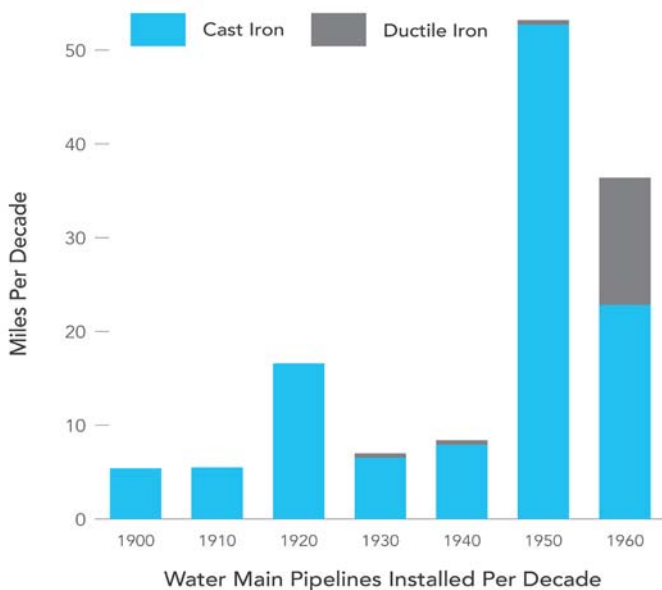
The City provides water and wastewater services to a population of approximately 99,000, with a service area of 20 square miles

Minimizing Customer Impacts while Ensuring Quality Service

While we must be diligent with these important investments, the City also understands the difficulties we all face from rising costs and is working hard to minimize rate increases. From carefully examining all our operations to ensure efficiency, to investing in more efficient technologies and products, and seeking low-interest loans and grants for upcoming projects, our focus is to minimize cost while ensuring safe and reliable services that we rely on 24/7.

For water customers, we continue to offer customer assistance programs including payment arrangement plans, a waiver of the Utility Users Tax for qualifying low-income customers, water leak relief, and a mixture of residential and commercial rebates to encourage the efficient use of water. We've recently partnered with the Alliance for Water Efficiency on a Water Rate Affordability Study to evaluate utility rate affordability challenges and potential solutions.

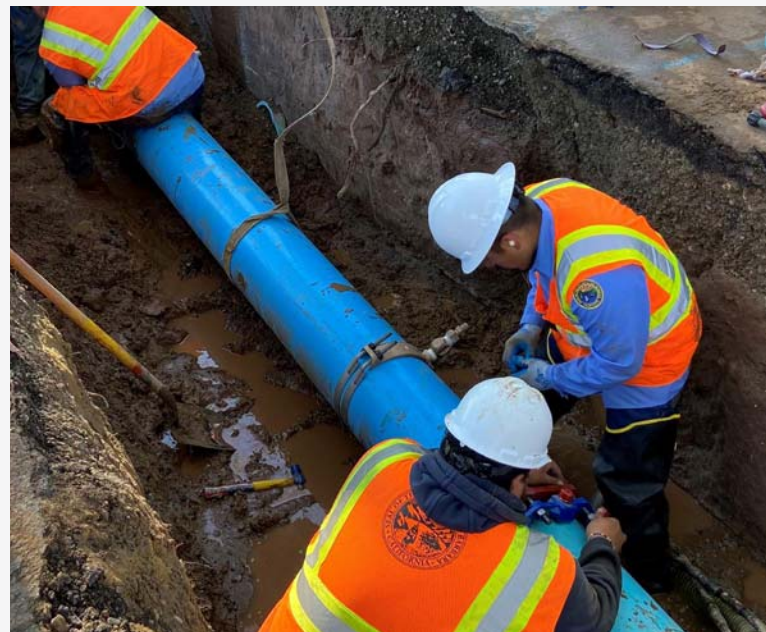
By strategically investing now, at the lowest cost possible, we are avoiding costlier expenses that can result from lack of care and maintenance, including impacts to our environment and community.



44% of the Santa Barbara's water mains are made of cast iron. Those installed during the post-World War II period were of poorer quality, and these pipes experience **five times** more breaks per mile than any other pipe material.

We're Seeing Results from Investment

While the impacts of climate change and aging infrastructure are increasing, we're already seeing the benefits of proactive investments in system improvements versus costly reactive repairs. As a result of planned upgrades, treated wastewater from the El Estero Water Resource Center continues to consistently meet state and federal regulations. The City is currently replacing 2% of water mains and rehabilitating 1% of sewer mains every year, which requires the City to reinvest over \$20 million annually into the water and wastewater systems.



Water and sewer mains are some of the City's largest assets and both are priority areas for this rate proposal. The City is currently replacing 2% of water mains and rehabilitating 1% of the sewer mains every year.

To learn more, join our informational webinar on Wednesday, May 22 at 6 pm.



Scan this code using the camera on your phone to learn more about the proposed rate changes and webinar registration.



ONE WATER
CITY OF SANTA BARBARA

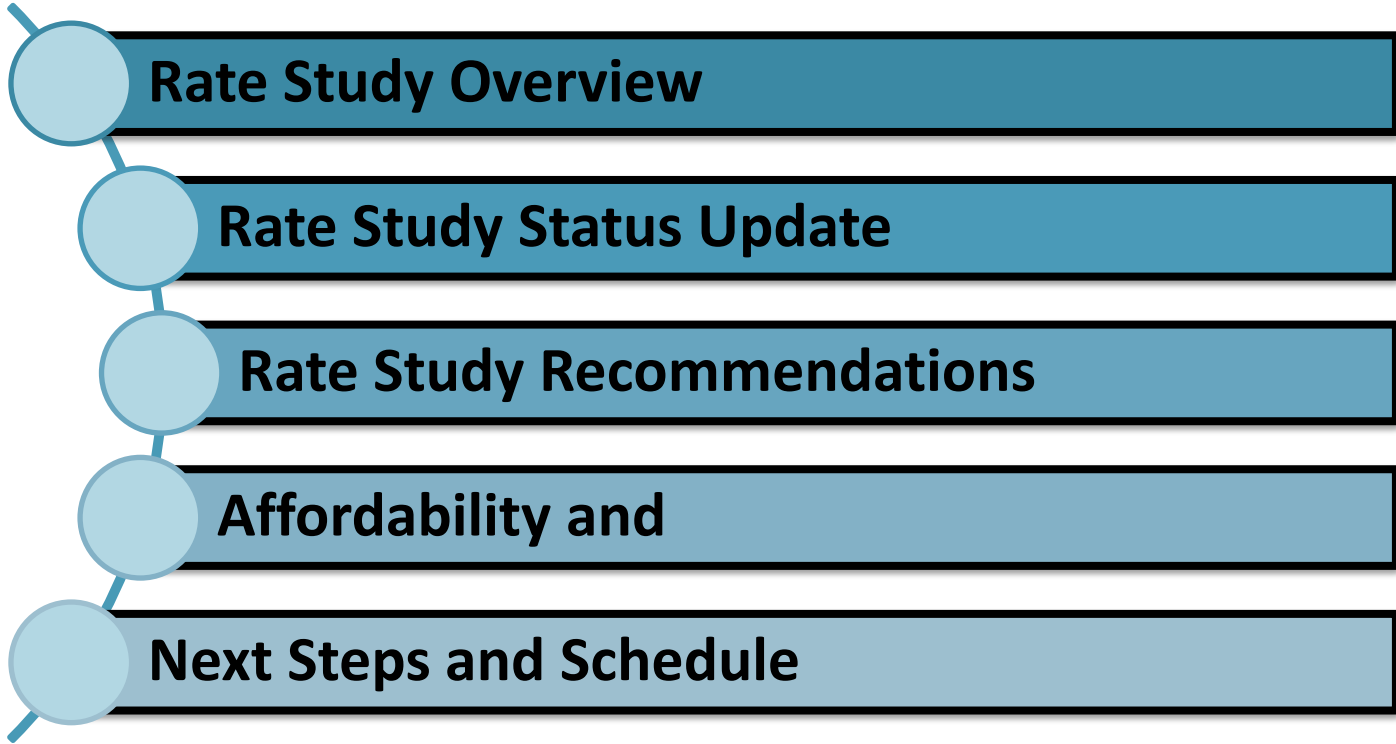




**Water and Wastewater
Rate Study**
March 21, 2024



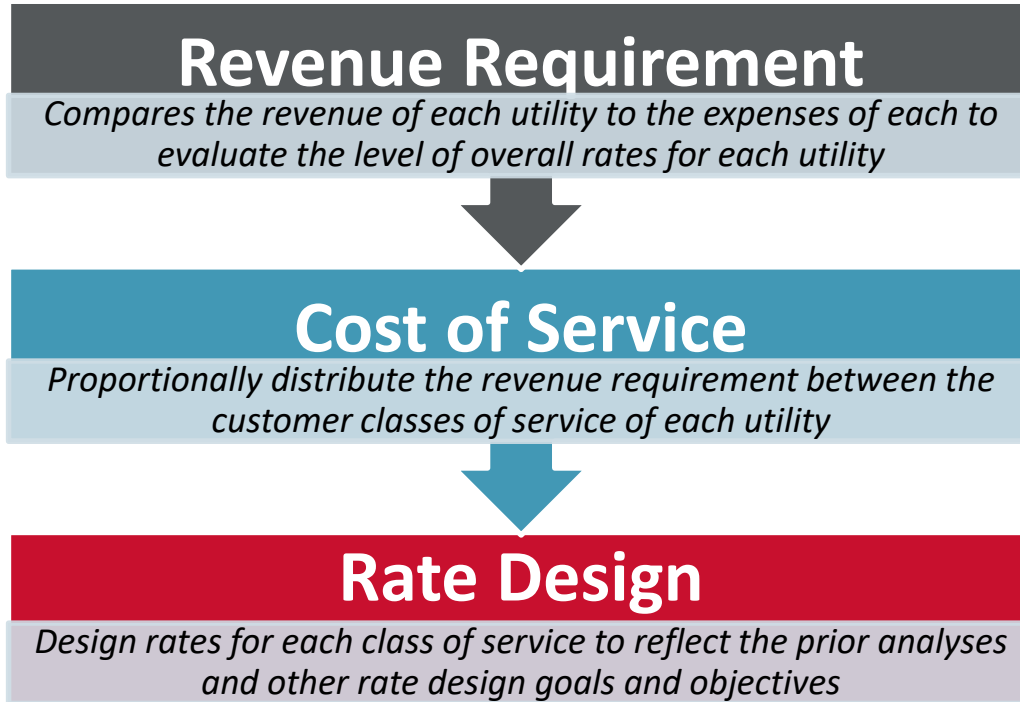
Purpose of the Presentation



Purpose of the Rate Study

- Provide an adequate level of rate revenue to operate and maintain the City's water and wastewater systems
- Develop cost-based and proportional water and wastewater rates
 - Meet the requirements of Proposition 218
- Reflect prudent financial planning criteria
 - Maintain target debt service coverage (DSC) ratio
 - Prudent rate funding of capital (Pay-Go)
 - Meet target reserve balances (i.e., Council Policy)
- Develop the study using generally accepted methodologies tailored to the City's system and customer characteristics
 - Water = AWWA M1 Manual
 - Wastewater = WEF MOP #27

Developing Cost-Based Rates



Revenue Requirement Analysis

Revenue Requirement Overview



Adequately fund annual operating costs

Costs continue to increase since the prior rate studies

City is impacted by recent inflationary trends

Maintain Council Policy reserve levels



Providing sufficient capital funding for

Necessary Improvements for both utilities

Distribution and collection system renewal and replacement

Analysis includes long-term borrowing for specific projects



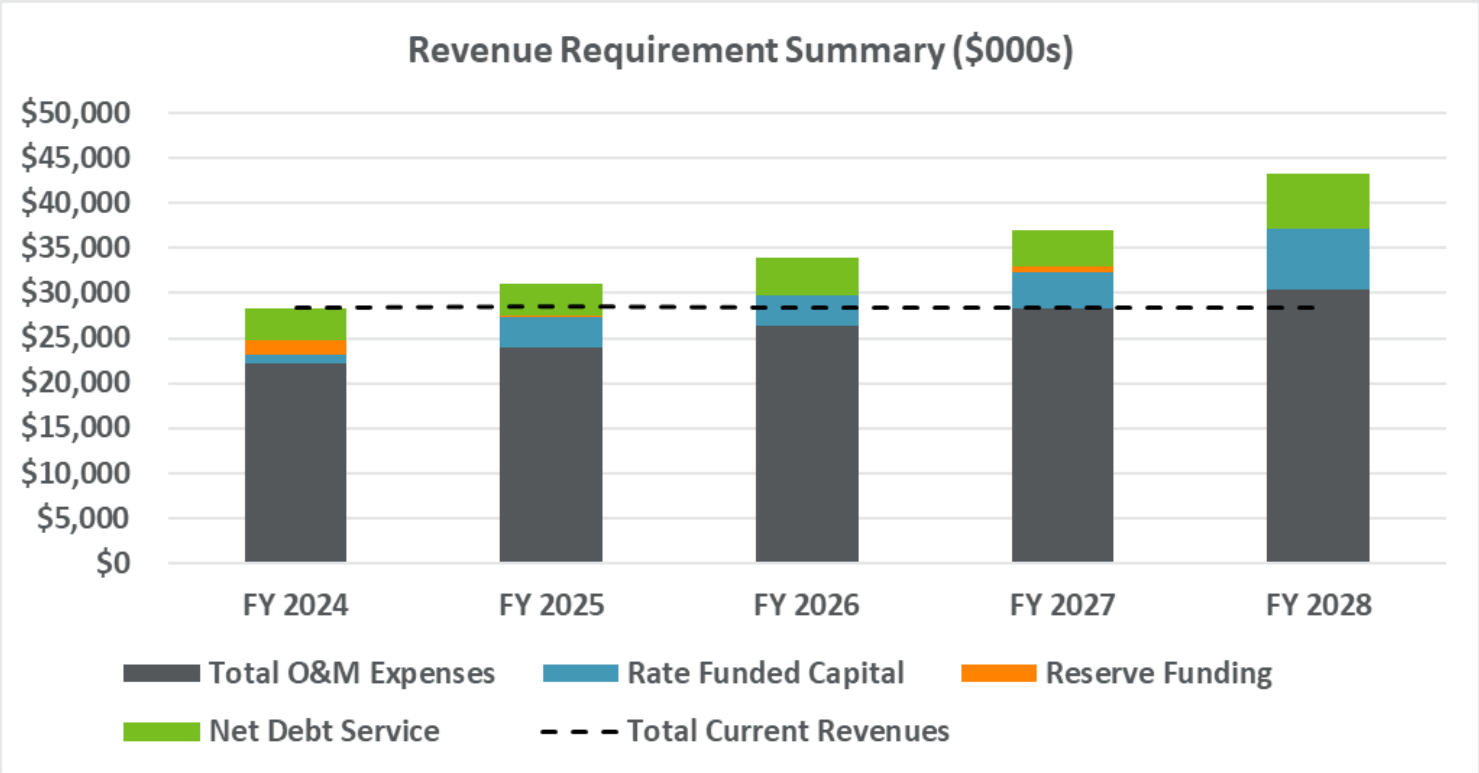
Cost-Based Rates

Balance the impacts to rates to adequately fund annual O&M and capital improvement needs

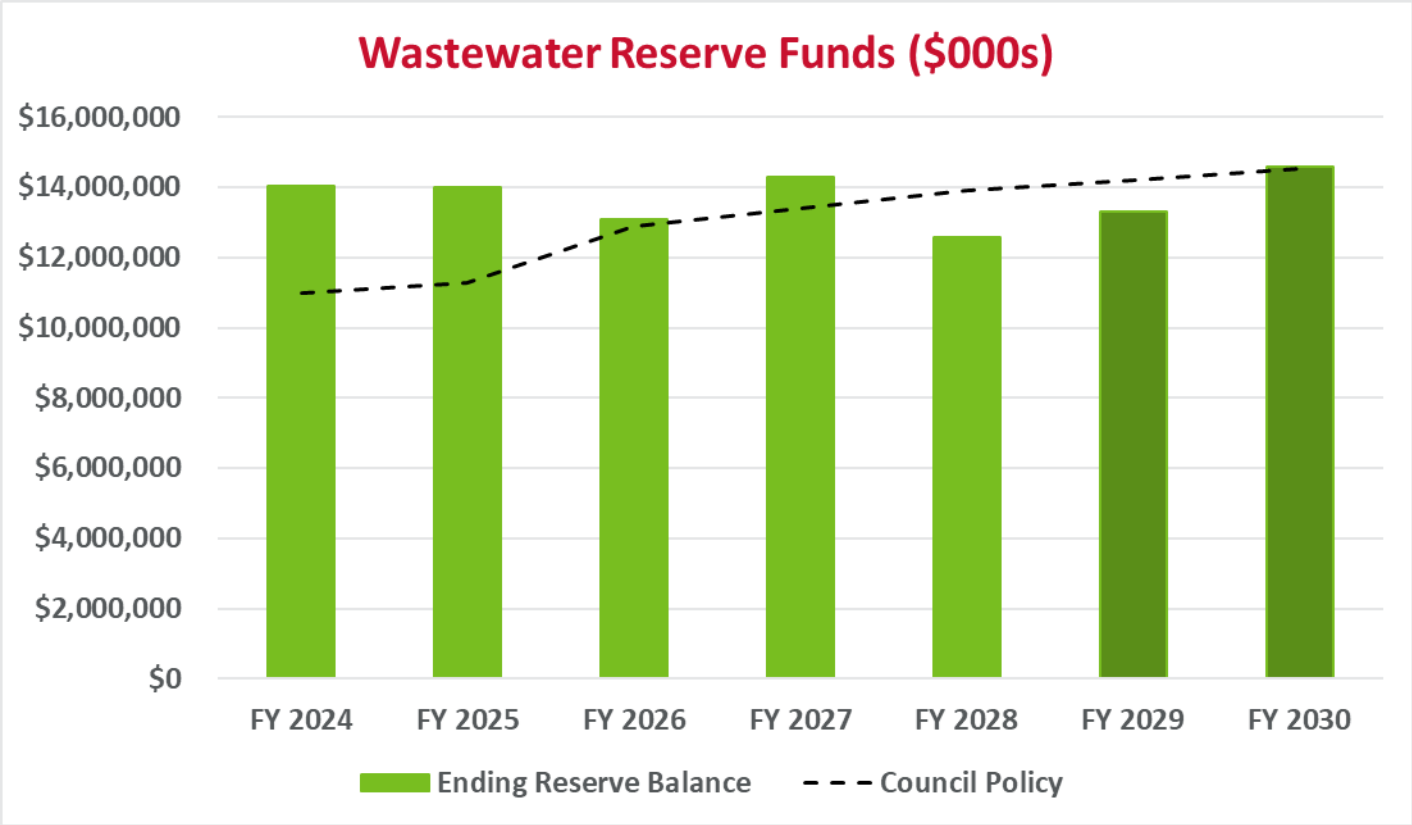
Maintain adequate debt service coverage ratios

Develop proposed rates for next four fiscal years (FY 2025 – FY 2028)

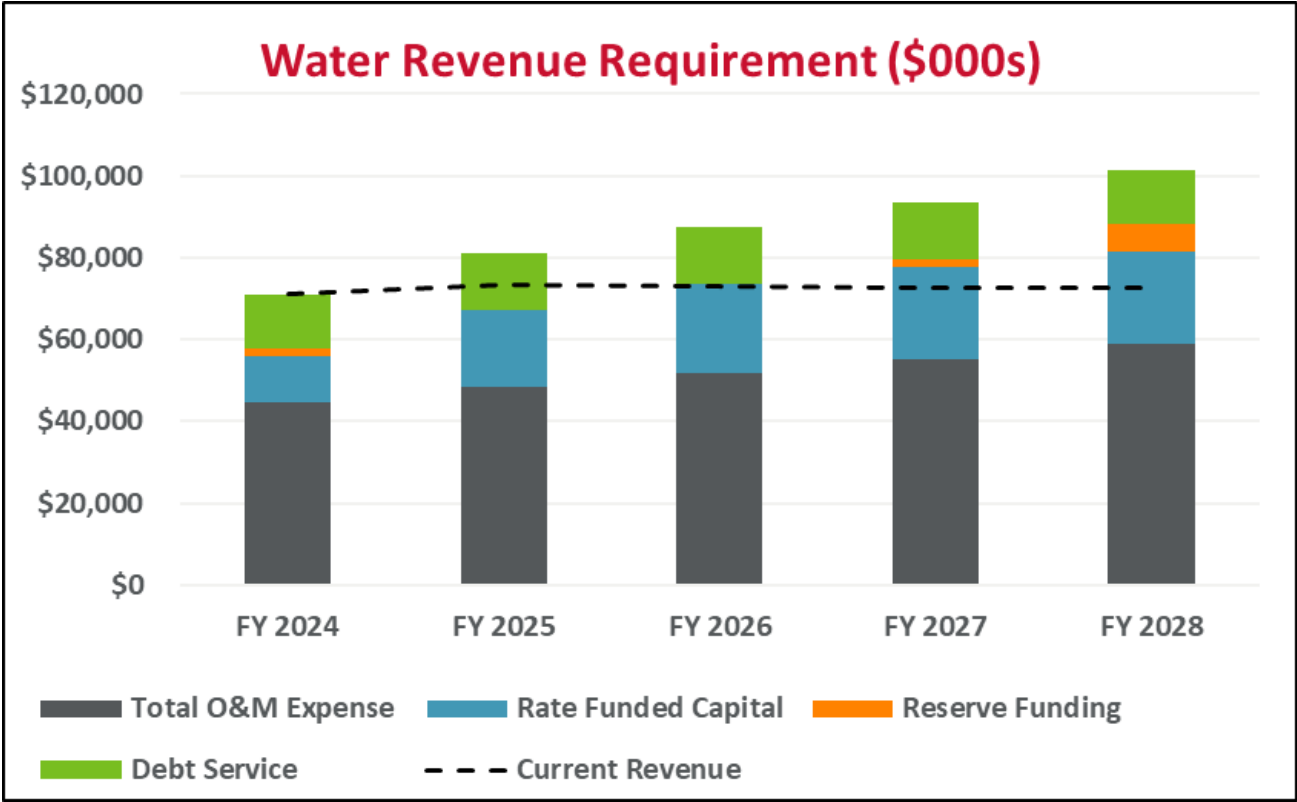
Wastewater Revenue Requirement Summary



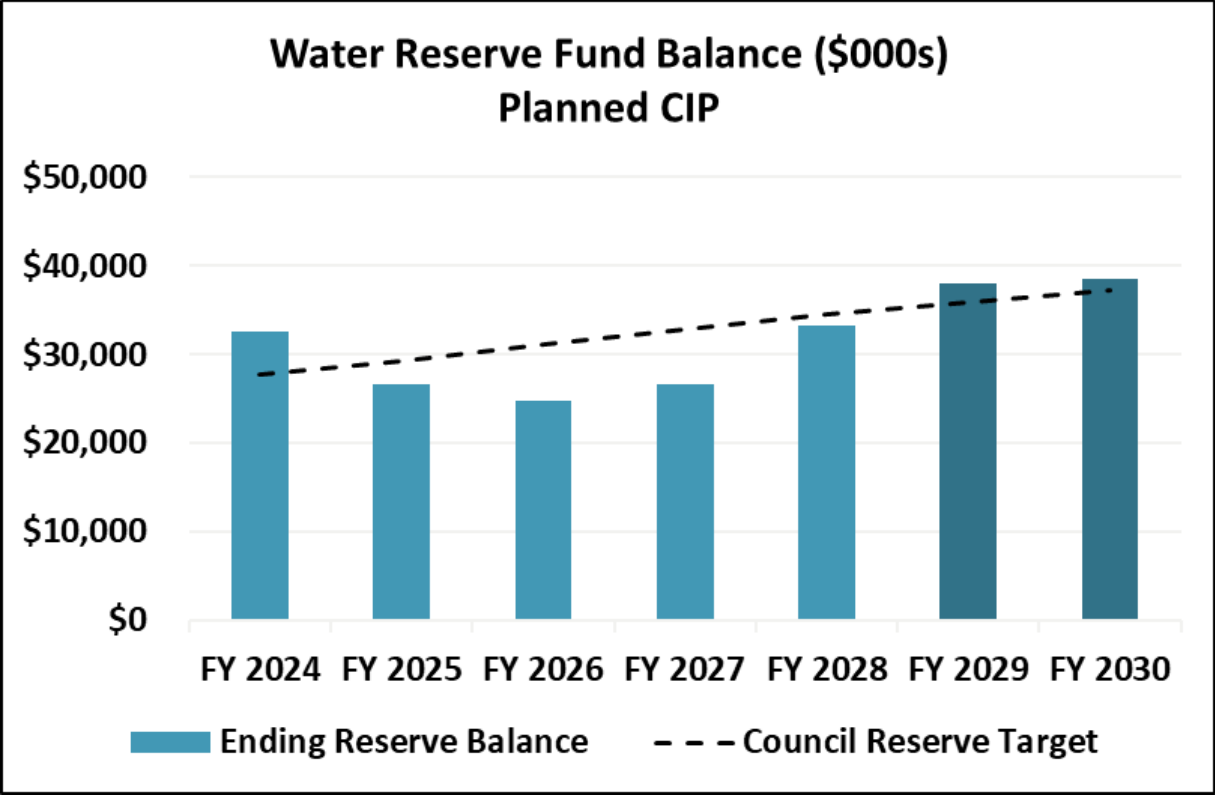
Wastewater Reserves



Water Revenue Requirement Summary



Water Reserves



Revenue Requirement Summary

- Rate adjustments are necessary to fund annual operating and capital needs
 - Inflationary increases to annual O&M
 - Changes in allocated costs (insurance, IT, fleet)
 - Capital improvement needs
 - Inflationary increases to annual capital costs

Proposed Rate Adjustment	FY 2025	FY 2026	FY 2027	FY 2028
Wastewater	9.5%	9.5%	9.5%	9.5%
Water	10.5%	10.5%	10.0%	10.0%

Revenue Requirement Update

Wastewater Annual Rate Adjustment	FY 2025	FY 2026	FY 2027	FY 2028
Initial Analysis (January 2024)	14.0%	14.0%	12.5%	12.0%
Refined Analysis (February 2024)	10.5%	10.0%	10.0%	9.5%
Refined Analysis (March 2024)	9.5%	9.5%	9.5%	9.5%

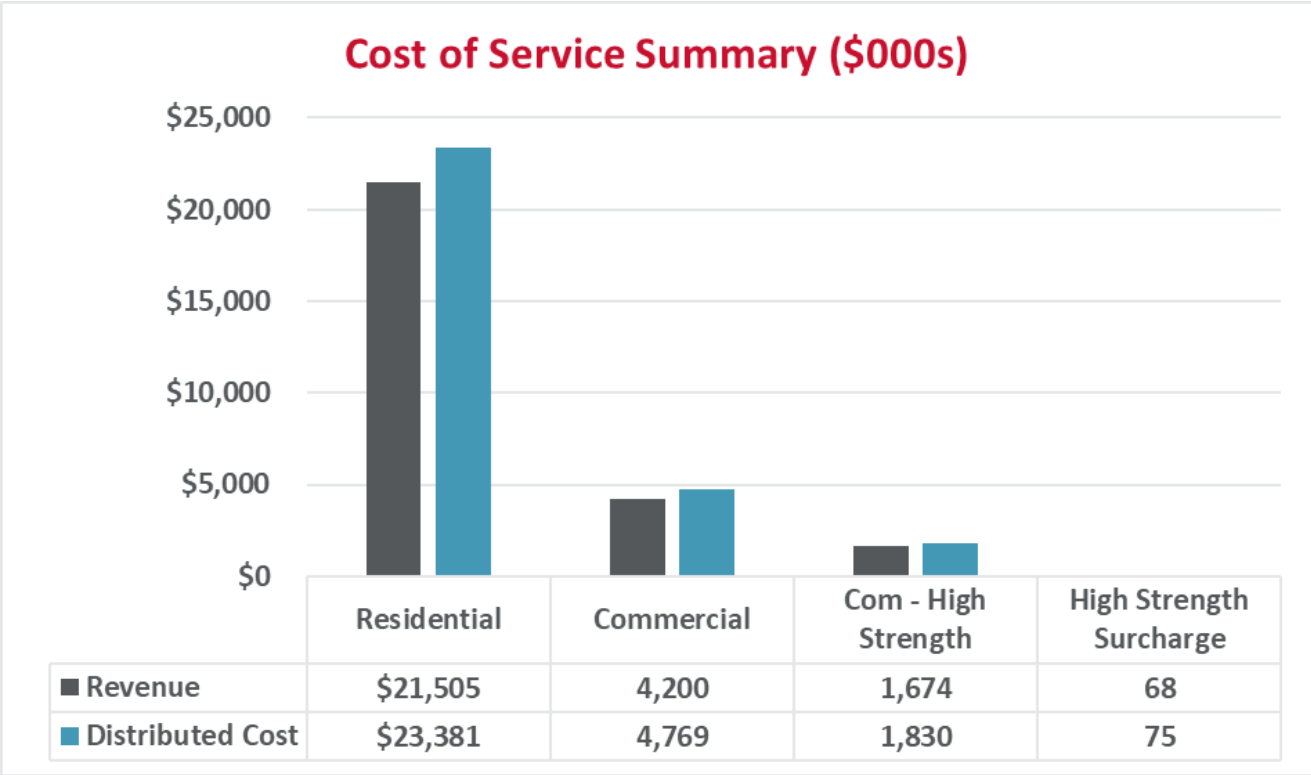
Water Annual Rate Adjustment	FY 2025	FY 2026	FY 2027	FY 2028
Initial Analysis (January 2024)	14.0%	14.0%	11.0%	11.0%
Refined Analysis (February 2024)	12.0%	12.0%	9.0%	9.0%
Refined Analysis (March 2024)	10.5%	10.5%	10.0%	10.0%

Cost of Service Analysis

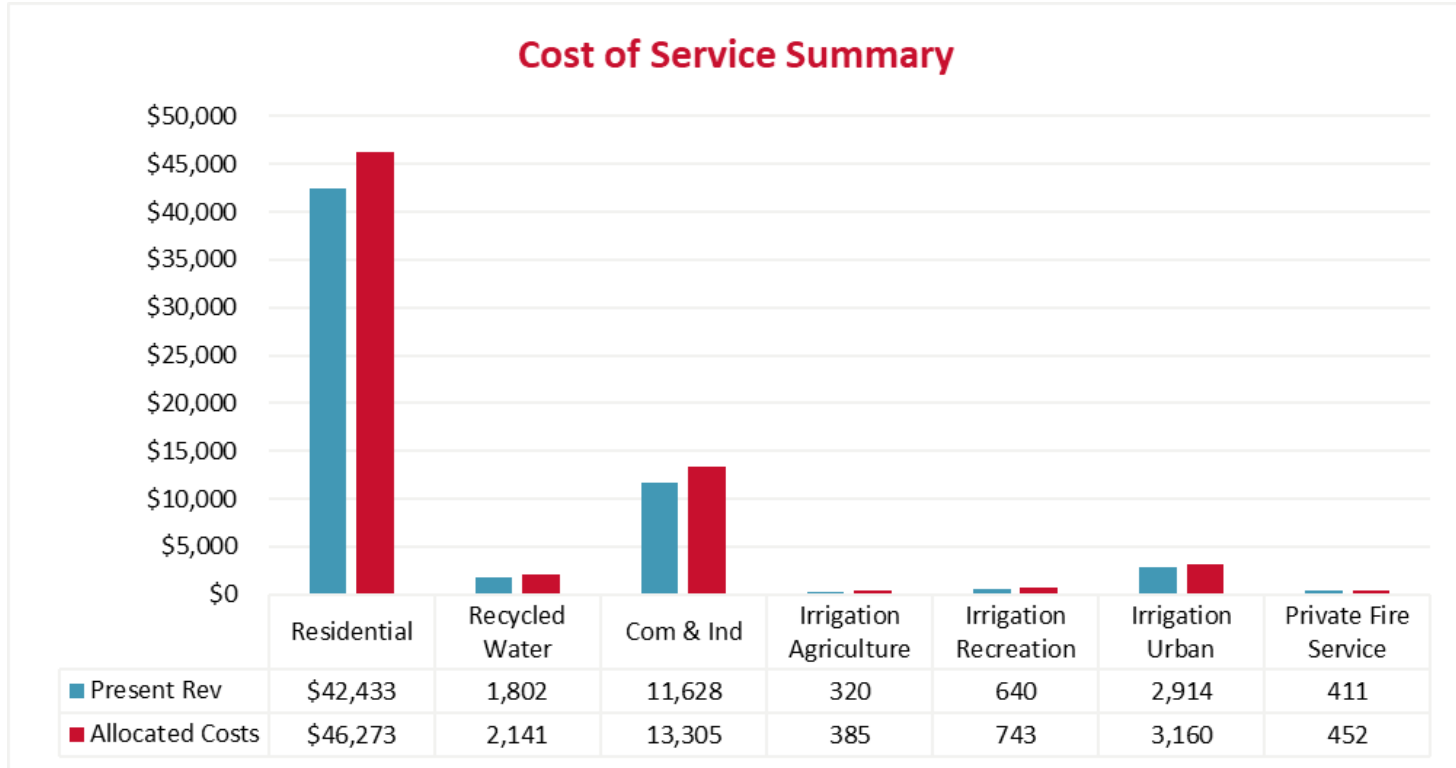
Cost of Service Summary

- Allocate costs based on why costs are incurred
 - Water – average day, cost of water supply (resource stacking), and/or customer related
 - Wastewater - volume, strength, or customer related
- Proportionally distribute allocated costs to each customer class of service of each utility
 - Distribution factors are based on each customer class's characteristics
- Wastewater cost of service results reflect past studies and results
 - Minimal cost differences between customer classes of service
- Water cost of service analysis reflects the cost of different water supply resources
 - Some cost differences between customer classes of service as a result of the cost of water supply and changes since the prior study
- Cost of service results are the basis for the proposed rates in FY 2025

Summary of the FY 2025 Wastewater Cost of Service Analysis



Summary of the FY 2025 Water Cost of Service



Rate Design Analysis

Rate Design Key Assumptions

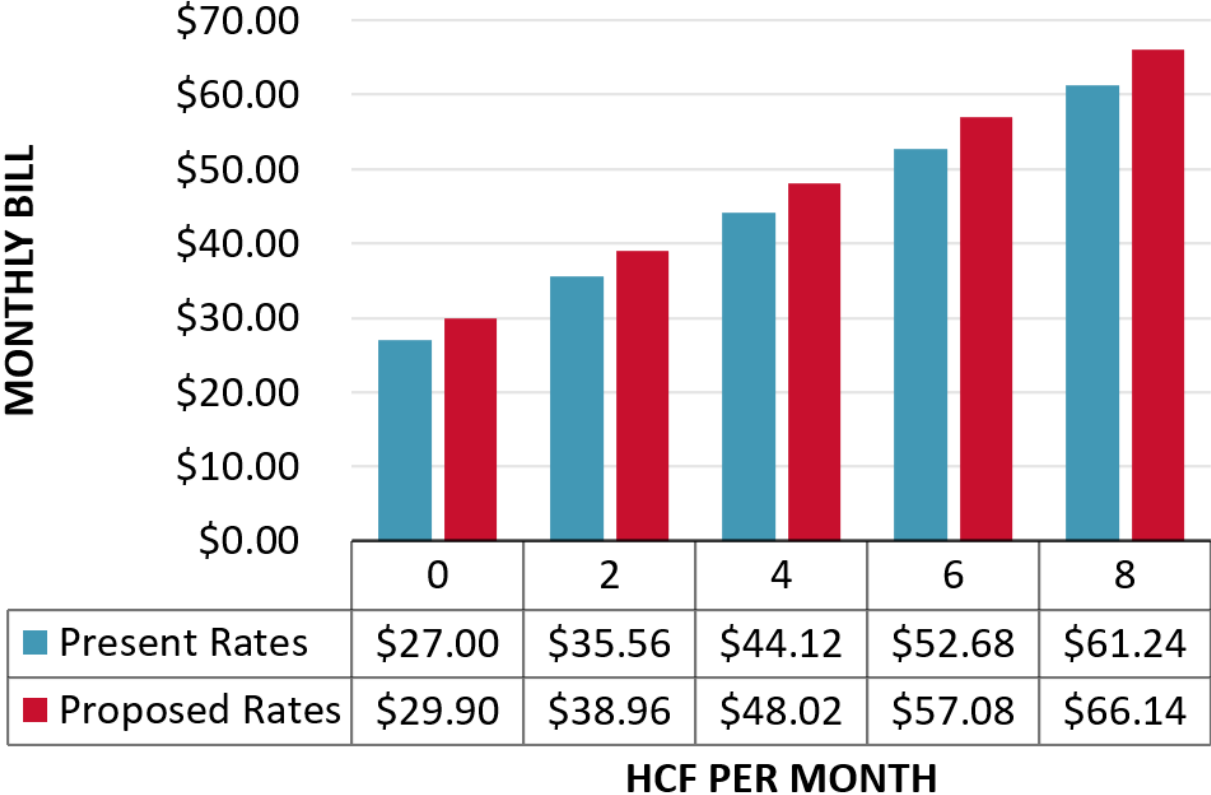
- Maximum proposed rates are developed based on the revenue requirement and cost of service results
 - Year 1 (FY 2025) rates are based on calculated unit costs in the cost of service
 - Year 2 – 4 (FY 2026-FY 2028) are based on overall revenue adjustment
- No rate structure design changes are proposed at this time
- Wastewater rate schedules for:
 - Single family, multi-family, commercial, commercial high strength, strength surcharge
- Water rate schedules for:
 - Single family, multi-family, commercial, irrigation

Wastewater Rate Design – Present and Proposed

- **Residential - Single family**
 - Flat fixed charge
 - Variable charge per HCF up to cap

	Current Rates	FY 2025	FY 2026	FY 2027	FY 2028
Base Fee	\$27.00	\$29.90	\$32.74	\$35.85	\$39.26
Volume Charge					
0 – 8 HCF	\$4.28	\$4.53	\$4.96	\$5.43	\$5.95
8 + HCF	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00

FY2025 Single Family Wastewater Bill Comparison



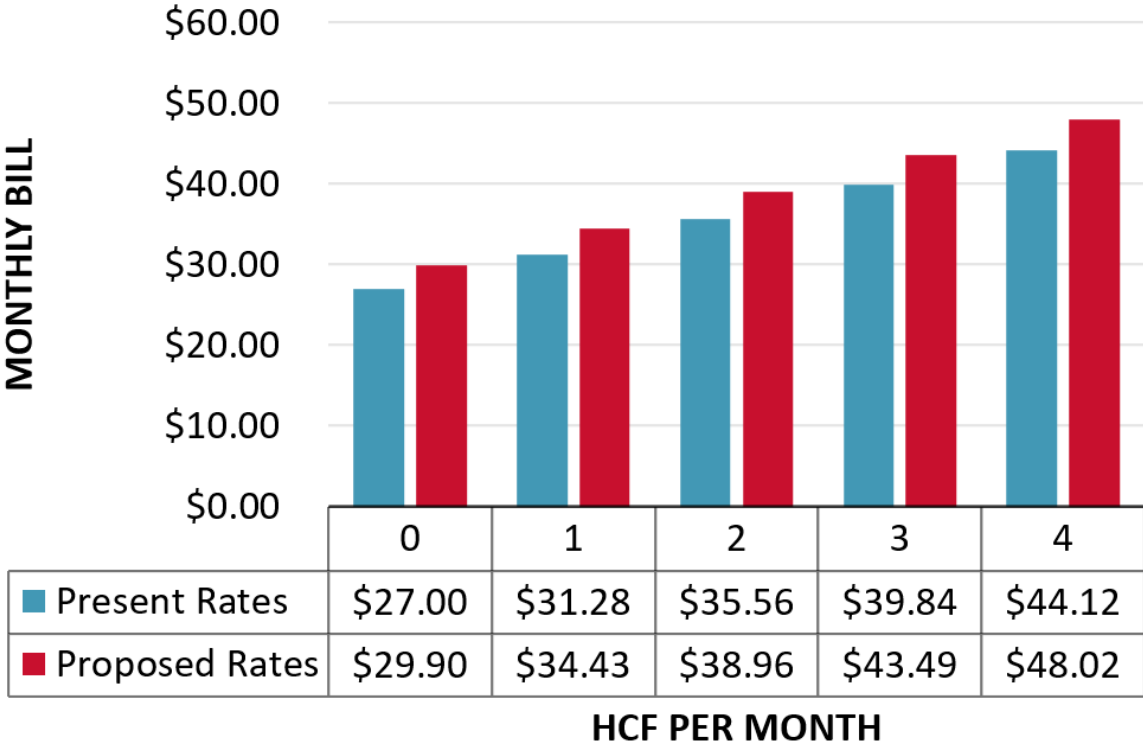
Wastewater Rate Design – Present and Proposed

- **Residential – Multi-family**

- Flat fixed charge
- Variable charge for all HCF

	Current Rates	FY 2025	FY 2026	FY 2027	FY 2028
Base Fee	\$27.00	\$29.90	\$32.74	\$35.85	\$39.26
Volume Charge	\$4.28	\$4.53	\$4.96	\$5.43	\$5.95

FY2025 Multi-Family (Individually Metered) Wastewater Bill Comparison



Wastewater Rate Design – Present and Proposed

▪ Commercial

- Minimum charge by meter size

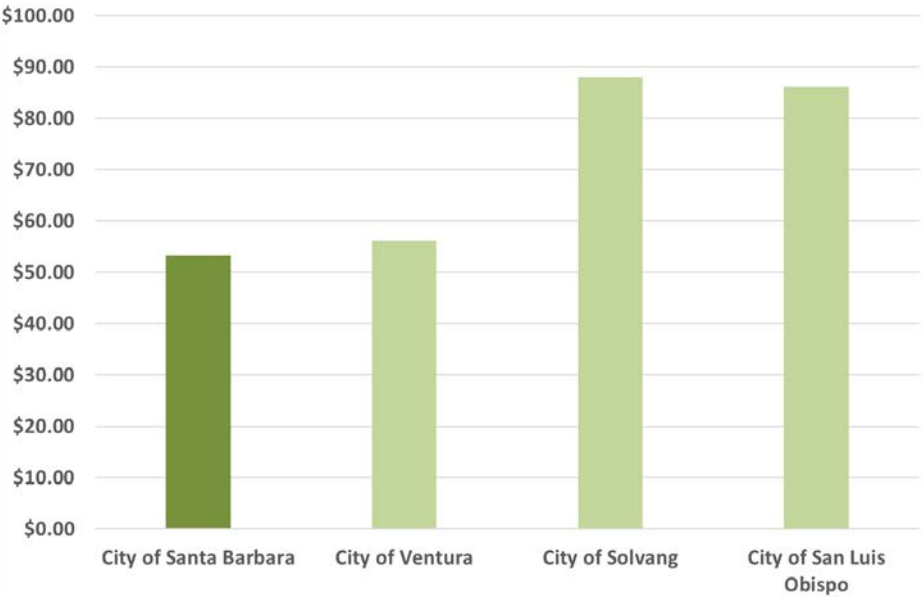
	Current Rates	FY 2025	FY 2026	FY 2027	FY 2028
Minimum Bill					
5/8"	\$51.69	\$53.28	\$58.34	\$63.88	\$69.95
3/4"	77.54	79.93	87.51	95.82	104.92
1"	90.46	93.24	102.10	111.79	122.41
1 1/2"	129.23	133.21	145.85	159.70	174.87
2"	206.76	213.12	233.36	255.52	279.79
3"	387.68	399.61	437.55	479.10	524.61
4"	646.13	666.01	729.25	798.50	874.36
6"	1,292.25	1,332.00	1,458.50	1,597.00	1,748.72
8"	2,067.60	2,131.20	2,333.60	2,555.20	2,797.94
10"	2,972.18	3,063.61	3,354.55	3,673.10	4,022.04
Volume Charge (\$ / HCF)					
Water Consumed	\$5.27	\$6.56	\$7.18	\$7.86	\$8.61

- Variable charge per HCF once minimum is met

- Most only pay a minimum bill

Wastewater Bill Impacts – Commercial Comparison

FY25 Proposed Monthly Wastewater Charges
Commercial Median Usage - 6 HCF (Office/Retail) - 5/8" Meter



FY25 Proposed Monthly Wastewater Charges
Hotel/Lodging Average Usage - 80 HCF - 1" Meter



Wastewater Rate Design – Present and Proposed

▪ Commercial – High Strength

○ Minimum charge by meter size

○ Variable charge per HCF once minimum is met

	Current Rates	FY 2025	FY 2026	FY 2027	FY 2028
Minimum Bill					
5/8"	\$59.70	\$66.31	\$72.61	\$79.51	\$87.06
3/4"	89.55	99.47	108.92	119.27	130.59
1"	104.48	116.05	127.07	139.15	152.37
1 1/2"	149.25	165.78	181.53	198.78	217.65
2"	238.80	265.24	290.44	318.04	348.25
3"	447.75	497.33	544.58	596.33	652.98
4"	746.25	828.88	907.63	993.88	1,088.30
6"	1,492.50	1,657.75	1,815.25	1,987.75	2,176.59
8"	2,388.00	2,652.40	2,904.40	3,180.40	3,482.54
10"	3,432.75	3,812.83	4,175.08	4,571.83	5,006.15
Volume Charge (\$ / HCF)					
Water Consumed	\$6.65	\$7.23	\$7.92	\$8.67	\$9.49

Wastewater Rate Design – Present and Proposed

- **High Strength Surcharge**

- Charged on a per pound basis
- Strength level based on testing

	Current Rates	FY 2025	FY 2026	FY 2027	FY 2028
Strength Charge	\$ / lb.				
BOD	\$0.34	\$0.30	\$0.33	\$0.36	\$0.39
TSS	0.48	0.58	0.64	0.70	0.77
Ammonia	1.17	1.37	1.50	1.64	1.80

Water Rate Design – Present and Proposed Fixed Monthly Service Charges

Meter Size	Present Rates	Proposed FY 2025	Proposed FY 2026	Proposed FY 2027	Proposed FY 2028
5/8"	\$32.60	\$36.21	\$40.01	\$44.01	\$48.41
3/4"	47.73	52.50	58.01	63.81	70.19
1"	77.97	85.09	94.02	103.42	113.76
1 1/2"	153.59	166.55	184.04	202.44	222.68
2"	244.33	264.30	292.05	321.26	353.39
3"	531.67	573.86	634.12	697.53	767.28
4"	955.12	1,030.06	1,138.22	1,252.04	1,377.24
6"	1,968.37	2,121.66	2,344.43	2,578.87	2,836.76
8"	3,631.93	3,913.84	4,324.79	4,757.27	5,233.00
10"	5,749.18	6,194.80	6,845.25	7,529.78	8,282.76

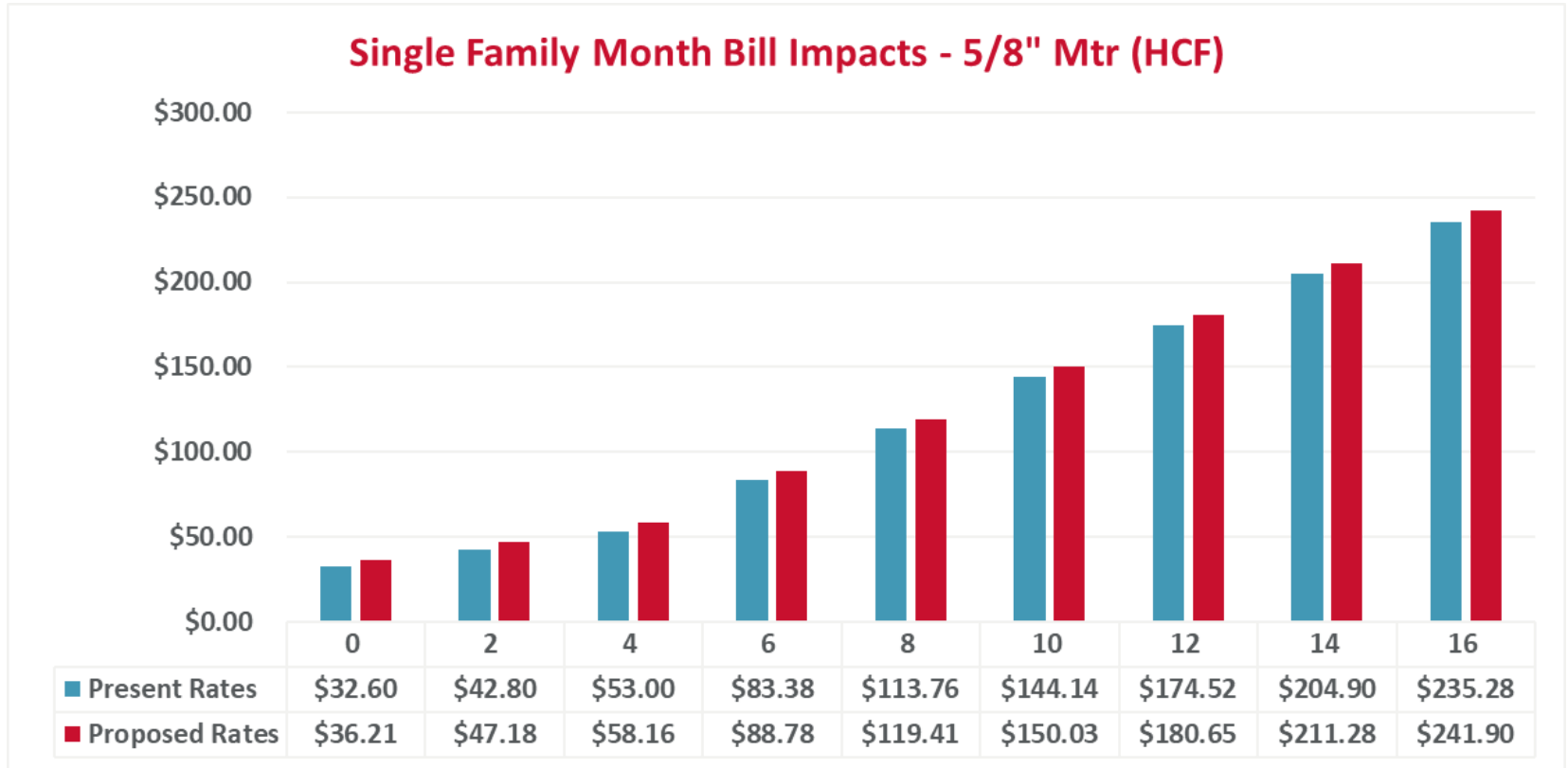
Rate Design – Present and Proposed Volumetric Rates

	Present Rates	Proposed FY 2025	Proposed FY 2026	Proposed FY 2027	Proposed FY 2028
Single Family					
0 – 4 HCF	\$5.10	\$5.49	\$6.06	\$6.67	\$7.34
4 – 16 HCF	15.19	15.31	16.92	18.61	20.47
16 + HCF	28.54	34.90	38.56	42.42	46.66
Multi-Family					
0 – 4 HCF / dwelling	\$5.10	\$5.49	\$6.06	\$6.67	\$7.34
4 – 16 HCF / dwelling	15.19	15.31	16.92	18.61	20.47
16 + HCF/ dwelling	28.54	34.90	38.56	42.42	46.66
Recycled Water	\$4.99	\$6.10	\$6.74	\$7.41	\$8.15
Com / Ind					
Up to Allotment	\$7.77	\$8.19	\$9.05	\$9.96	\$10.96
Over Allotment	28.45	37.82	41.80	45.98	50.58

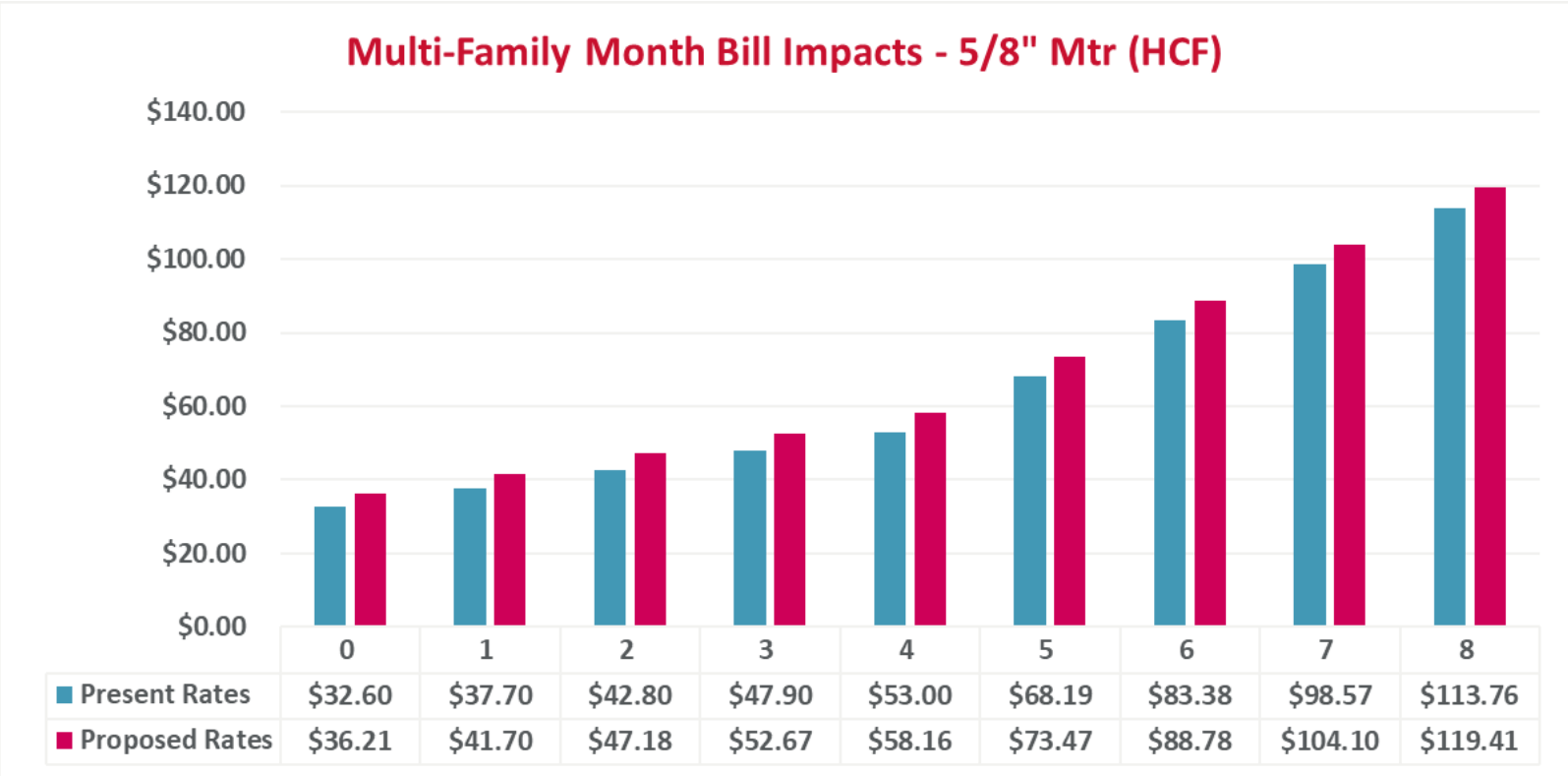
Rate Design – Present and Proposed Variable Charges

	Present Rates	Proposed FY 2025	Proposed FY 2026	Proposed FY 2027	Proposed FY 2028
Irrigation - Ag					
Up to Budget	\$3.98	\$5.13	\$5.67	\$6.24	\$6.86
Over Budget	28.54	34.90	38.56	42.42	46.66
Irrigation - Rec					
Up to Budget	\$5.98	\$7.26	\$8.02	\$8.82	\$9.70
Over Budget	28.54	34.90	38.56	42.42	46.66
Irrigation - Urban					
Up to Budget	\$15.19	\$15.31	\$16.92	\$18.61	\$20.47
Over Budget	28.54	34.90	38.56	42.42	46.66

FY 2025 Single Family Water Bill Comparison



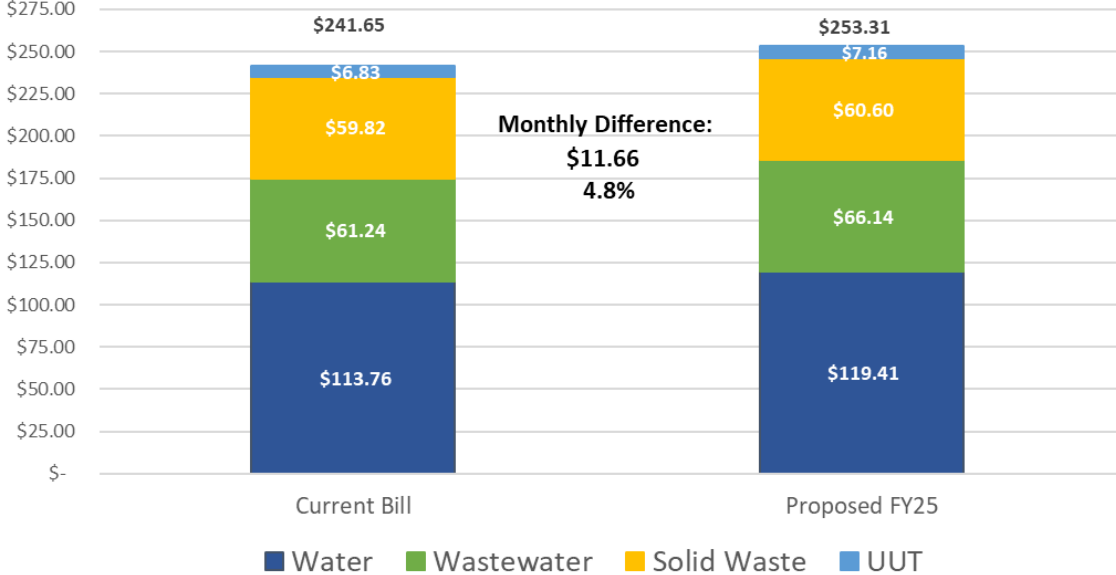
FY 2025 Multi-Family Water Bill Comparison



Total Bill Impacts – Single Family Residential

Total Utility Bill Increase for a typical customer

Single Family Residential
8 HCF, 65 gallon trash, greenwaste, recycled, 1x/week

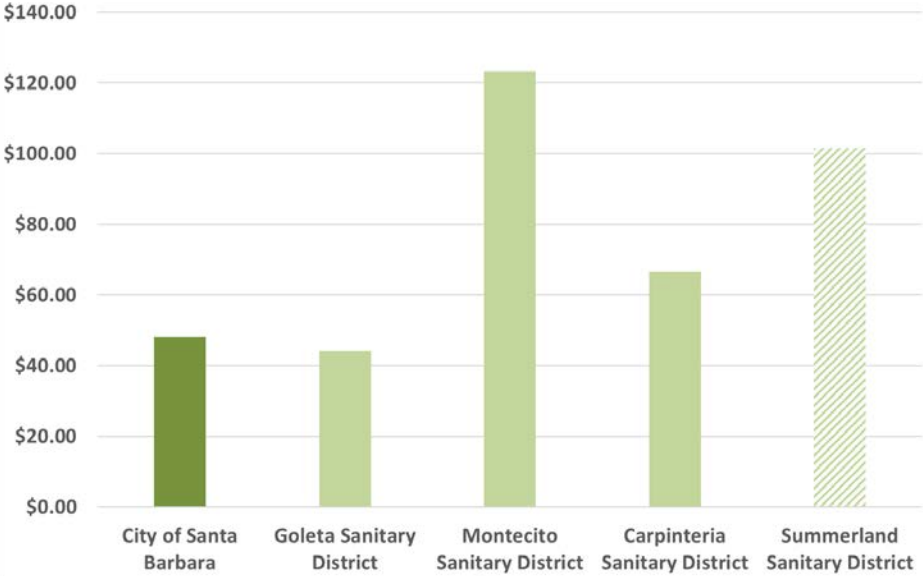


Assuming proposed 1.3% increase for single family solid waste rates

Wastewater Bill Single Family - South Coast Comparison

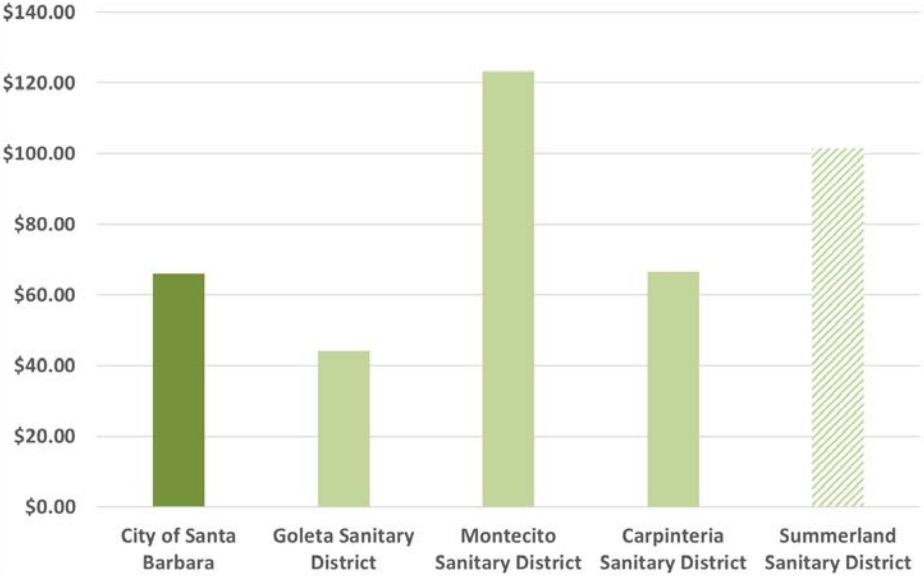
**FY25 Proposed Monthly Wastewater Charges
4 HCF - Single Family Residential Customer**

Summerland Sanitary District data reflects FY24 rates.



**FY25 Proposed Monthly Wastewater Charges
8 HCF - Single Family Residential Customer**

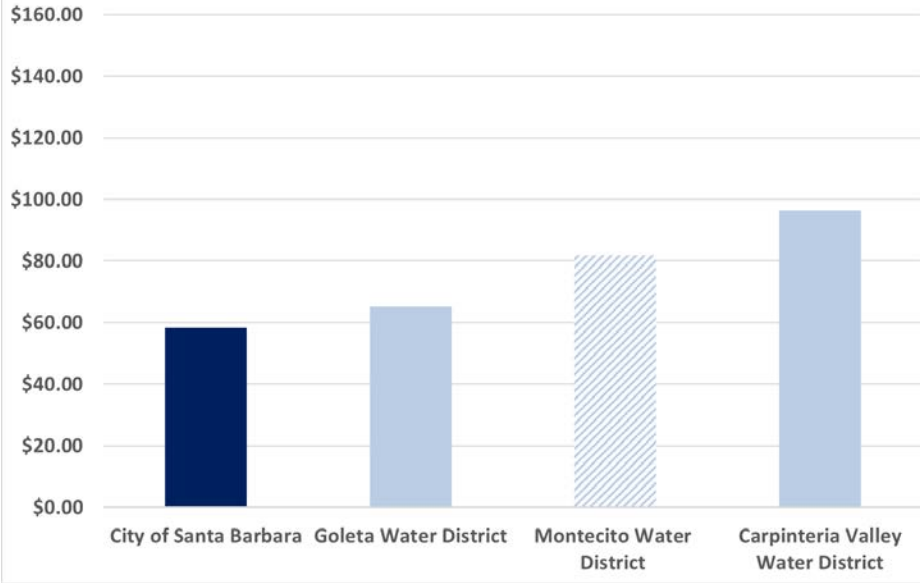
Summerland Sanitary District data reflects FY24 rates.



Water Bill Single Family - South Coast Comparison

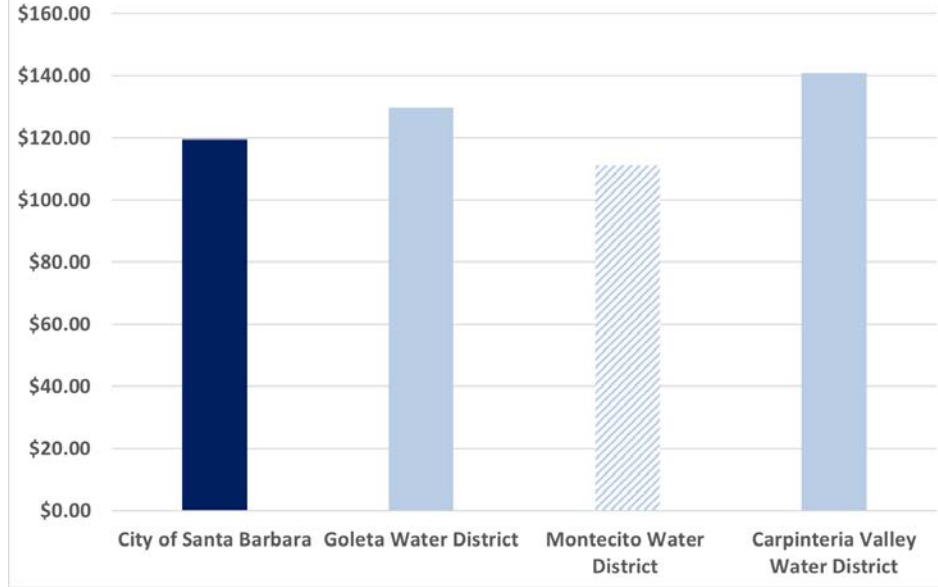
**FY25 South Coast Monthly Charges for 4 HCF Use
Single Family Residential Customer with 5/8" meter***

*Smallest meter offered by MWD and CVWD is 3/4". MWD data represents preliminary rates.



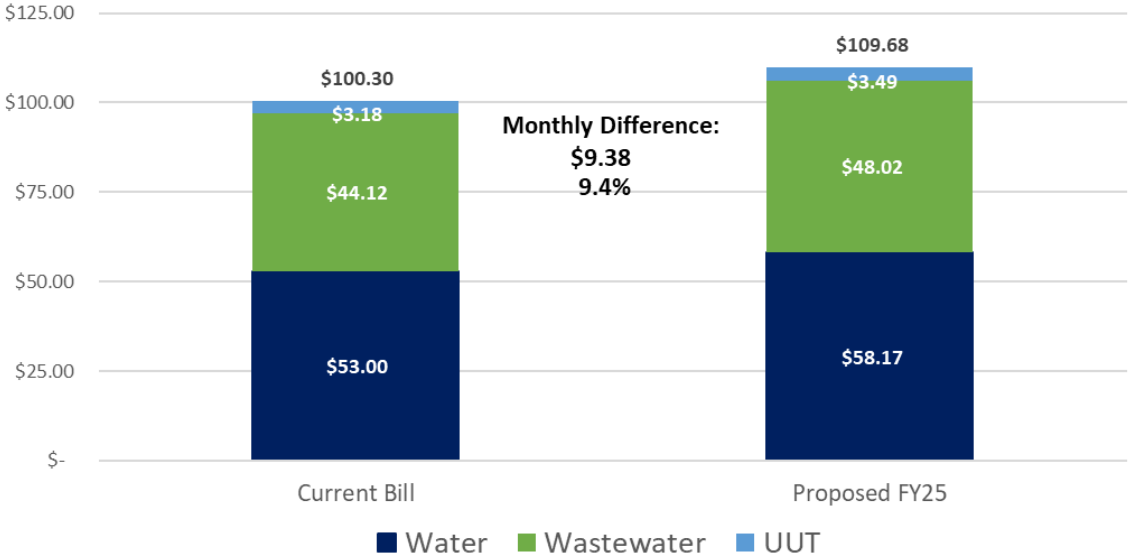
**FY25 South Coast Monthly Charges for 8 HCF Use
Single Family Residential Customer with 5/8" meter***

*Smallest meter offered by MWD and CVWD is 3/4". MWD data represents preliminary rates.

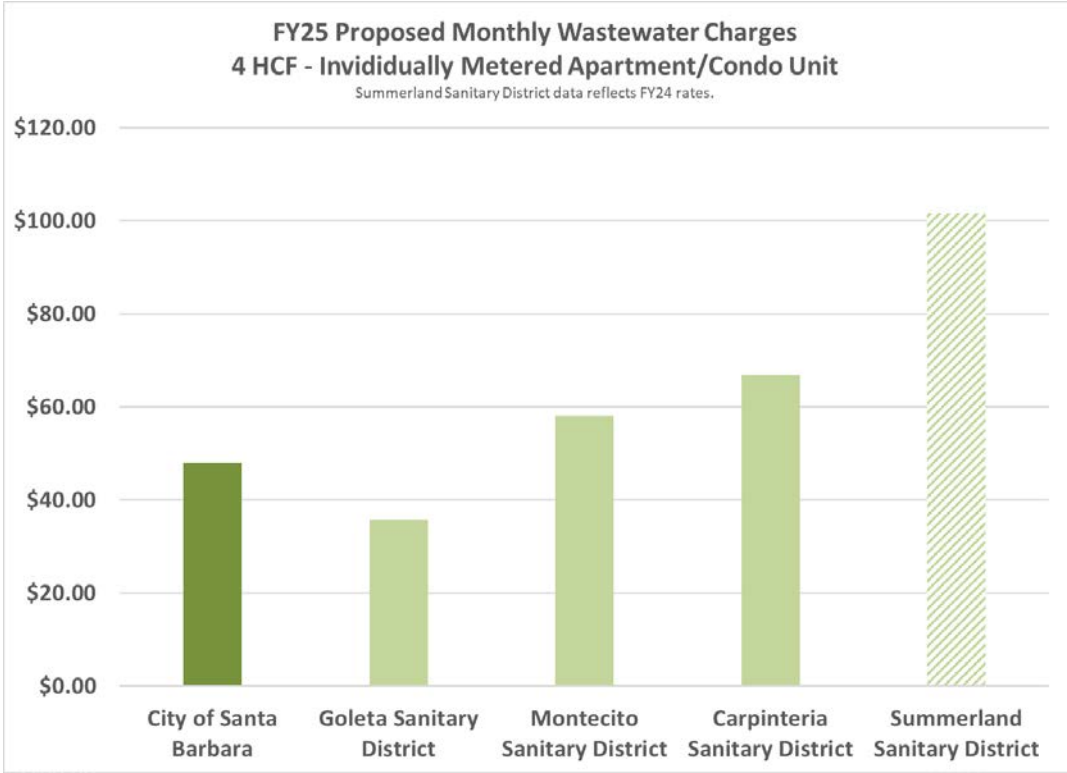


Total Bill Impacts – Apartment/Condo

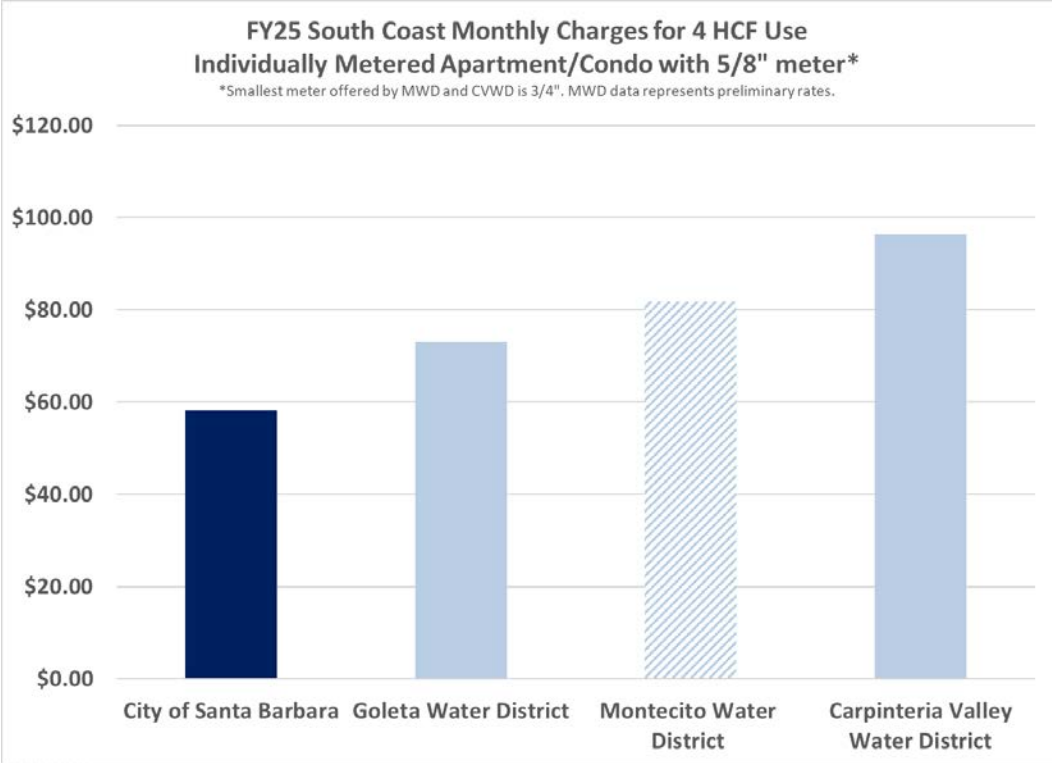
Total Utility Bill Increase
for an individually metered apartment/condo
4 HCF/month
Trash/Recycling/Greenwaste paid by landlord or HOA



Wastewater Bill Apartment/Condo - South Coast Comparison



Water Bill Apartment/Condo - South Coast Comparison



Water & Wastewater Bill Impacts – Commercial Comparison

FY25 Proposed Monthly Water & Wastewater Charges
Commercial Median Usage - 6 HCF (Office/Retail) - 5/8" Meter



FY25 Proposed Monthly Water & Wastewater Charges
Hotel/Lodging Average Usage - 80 HCF - 1" Meter



Outreach

- Heightened level of outreach due to larger than normal increases
 - Monthly utility bill insert
 - Weekly City News in Brief email newsletter
 - Quarterly Water Resources email newsletter
- Key messages and talking points developed to guide communication and touch on the most common questions or misinterpretations from customers
- Prop 218 Notice will also include a supplemental fact sheet
- Staff to create webpage specific to the current rate changes and the reasons for the increases, as well as FAQs
- Supplemental fact sheet, webpage, will be translated to Spanish
- Social media outreach will be conducted on:
 - Facebook, Nextdoor, and X (formerly Twitter), announcement on the new WaterSmart customer portal
- Public webinar May 22 at 6pm

Proposition 218 Customer Notice - WW



**NOTICE OF PUBLIC HEARING:
PROPOSED CHANGES TO CITY OF SANTA BARBARA WASTEWATER RATES**

Date: Tuesday, June 25, 2024, 2:00 p.m.
Place: City of Santa Barbara Council Chambers, City Hall, 735 Anacapa Street, Santa Barbara
The hearing may be attended electronically. Meeting details will be posted no less than 72 hours prior to the start of the Public Hearing on the City Council meeting agenda located at SantaBarbaraCA.gov/CAP

PROPOSED WASTEWATER RATES FOR: FISCAL YEARS 2025, 2026, 2027, AND 2028

You are receiving this notice because our records indicate that you are a City of Santa Barbara utility customer. If you are not a City wastewater customer, please disregard this Notice.

This Notice describes proposed changes to wastewater rates and explains how you can participate in the public process. The City's wastewater rates are based on a comprehensive rate study that uses a rate model to evaluate the cost of wastewater service, as required by Article XIII D, Section 6 of the California constitution.

Why are wastewater rates changing?

The City's wastewater system plays a leading role in the protection of public health and the environment. Maintaining the wastewater system requires a proactive commitment to investing in the capital infrastructure and resources necessary to keep this vital system operating 24 hours a day, 365 days per year. The proposed rate changes will enable the City to meet the needs of the wastewater system, including operation and maintenance costs, capital improvements, mandated standards of treatment, debt service, contingency reserves, and other financial obligations.

What goes into a wastewater bill?

Residential wastewater bills are made up of two key components: (1) a volumetric charge based on water usage, and (2) a fixed monthly base charge. For single-family customers, wastewater volumetric charges are not charged over a certain level of water use. Commercial customers are charged the greater of their volumetric charges or minimum monthly bill amount based on meter size.

How do I stay informed?

- Watch City Council meetings online at SantaBarbaraCA.gov/CityTV or tune in to City TV Channel 18.
- Explore information on rate changes at SantaBarbaraCA.gov/WaterRateChanges.
- Contact City staff at (805) 564-5387.
- Attend City Council meetings: visit SantaBarbaraCA.gov/CAP for meeting details.

How will the proposed changes impact my wastewater bill?

The table below shows sample wastewater bills for common service levels.

Customer Class	Account Characteristics	Usage (hcf/mth)	Total Monthly Wastewater Charges		
			Current Bill	FY 25 Proposed Bill	Difference
Single Family Residential	5/8" meter	8	\$61.24	\$66.14	\$4.90
Multi-Family Residential: 1-4 Attached Units*	1 unit in a small multi-unit complex	4	\$44.12	\$48.02	\$2.90
Multi-Family Residential: 5 or more Attached Units**	1 unit in a large multi-unit complex	4	\$44.12	\$48.02	\$2.90
Commercial	1" Meter	14	\$93.46	\$93.24	-\$2.78

*Applicable to all accounts serving two to four detached dwelling units, Accessory Dwelling Units served by their own water meter, and all accounts serving a dwelling unit attached to no more than 3 additional dwelling units.

**Applicable to all accounts serving five or more dwelling units, and to accounts serving a dwelling unit attached to 4 or more additional dwelling units.

TABLE 1—WASTEWATER PROPOSED RESIDENTIAL FIXED & VOLUMETRIC RATES
1 HCF (hundred cubic feet) = 748 gallons. FY = fiscal year July 1—June 30

Customer Class	Charge Type	Current	Proposed				
			FY25	FY26	FY27	FY28	
Single Family Residential	Monthly Base Charge (\$/Dwelling Unit)	\$27.00	\$29.90	\$32.74	\$35.85	\$39.26	
	Usage Charge up to 8 HCF (\$/HCF)	\$4.28	\$4.53	\$4.96	\$5.43	\$5.95	
Multi-Family Residential 4 or less Dwellings	Monthly Base Charge (\$/Dwelling Unit on account)	\$27.00	\$29.90	\$32.74	\$35.85	\$39.26	
	Usage Charge (\$/HCF)	\$4.28	\$4.53	\$4.96	\$5.43	\$5.95	
Multi-Family Residential 5+ Dwellings	Monthly Base Charge (\$/Dwelling Unit on account)	\$27.00	\$29.90	\$32.74	\$35.85	\$39.26	
	Usage Charge (\$/HCF)	\$4.28	\$4.53	\$4.96	\$5.43	\$5.95	

Commercial and Commercial High Strength/Industrial customers are charged a fixed charge based on meter size (Tables 2-3), or a volumetric charge based on the quantity of water consumed (Table 4), whichever is greater.

TABLE 2— WASTEWATER PROPOSED COMMERCIAL FIXED CHARGES BY METER SIZE

	5/8"	3/4"	1"	1 1/2"	2"	3"	4"	6"	8"	10"
Current	\$51.69	\$77.54	\$90.46	\$129.23	\$206.76	\$387.68	\$646.13	\$1,292.25	\$2,067.60	\$2,972.18
FY 2025	\$53.28	\$79.93	\$93.24	\$133.21	\$213.12	\$399.61	\$666.01	\$1,332.00	\$2,131.20	\$3,063.61
FY 2026	\$58.34	\$87.51	\$102.10	\$145.85	\$233.36	\$437.55	\$729.25	\$1,458.50	\$2,333.60	\$3,354.55
FY 2027	\$63.88	\$95.82	\$111.79	\$159.70	\$255.52	\$479.10	\$798.50	\$1,597.00	\$2,555.20	\$3,673.10
FY 2028	\$69.95	\$104.92	\$122.41	\$174.87	\$279.79	\$524.61	\$874.36	\$1,748.72	\$2,797.94	\$4,022.04

TABLE 3— WASTEWATER PROPOSED COMMERCIAL HIGH STRENGTH/INDUSTRIAL FIXED CHARGES BY METER SIZE

	5/8"	3/4"	1"	1 1/2"	2"	3"	4"	6"	8"	10"
Current	\$59.70	\$89.55	\$104.48	\$149.25	\$238.80	\$447.75	\$746.25	\$1,492.50	\$2,388.00	\$3,432.75
FY25	\$66.31	\$99.46	\$116.05	\$165.78	\$265.24	\$497.33	\$828.88	\$1,657.75	\$2,652.40	\$3,812.83
FY26	\$72.61	\$108.91	\$127.07	\$181.53	\$290.44	\$544.58	\$907.63	\$1,815.25	\$2,904.40	\$4,175.08
FY27	\$79.51	\$119.26	\$139.15	\$198.78	\$318.04	\$596.33	\$993.88	\$1,987.75	\$3,180.40	\$4,571.83
FY28	\$87.06	\$130.59	\$152.37	\$217.66	\$348.25	\$652.98	\$1,088.30	\$2,176.59	\$3,482.54	\$5,005.15

TABLE 4— WASTEWATER PROPOSED VOLUMETRIC RATES (\$/HCF)

Customer Class	Current	Proposed			
		FY25	FY26	FY27	FY28
Commercial	\$5.27	\$6.56	\$7.18	\$7.86	\$8.61
Commercial High Strength/Industrial	\$6.65	\$7.23	\$7.92	\$8.67	\$9.49

TABLE 5— WASTEWATER PROPOSED STRENGTH SURCHARGES (\$/LB)**

	Current	FY25	FY26	FY27	FY28
BOD (>750 mg/l)	\$0.34	\$0.30	\$0.33	\$0.36	\$0.39
TSS (>850 mg/l)	\$0.48	\$0.58	\$0.64	\$0.70	\$0.77
Ammonia (>90 mg/l)	\$1.17	\$1.37	\$1.50	\$1.64	\$1.80

***If the City's Water Resources Laboratory determines that a customer has exceeded the high strength discharge limit for Biochemical Oxygen (BOD), Total Suspended Solids (TSS), or Ammonia, a surcharge will be assessed for each constituent in excess of its relative limit.

How do I protest? If you wish to submit a written protest of any of the above increases, your protest must be received by the City Clerk of the City of Santa Barbara at 735 Anacapa Street, Santa Barbara, CA, 93101, prior to the City Council's consideration of this item on June 25, 2024. Protests must include your name, service address, and whether you are protesting the amount of the fee increase, the basis for calculation of the fee, or both. Written protests may be mailed to or delivered in-person at the address above, or deposited in the bill payment drop box slot located on the exterior of the building on the De La Guerra Plaza side. Only written protests received before the close of the public hearing on June 25, 2024, will be counted. During the hearing, the City Council will consider all protests and public testimony. Protests are public records. One written protest per parcel or service address will be tabulated. If you later challenge the rates in court, you may be limited to the grounds stated in your protest. If you challenge the City's rate setting action in court, you may be limited to the issues and grounds raised in a written protest or in public testimony at the public hearing. There is a 120-day statute of limitation for challenging any new, increased, or extended fee or charge (California Government Code Section 53759).

Proposition 218 Customer Notice - Water



NOTICE OF PUBLIC HEARING: PROPOSED CHANGES TO CITY OF SANTA BARBARA WATER RATES

Date: Tuesday, June 25, 2024, 2:00 p.m.
Place: City of Santa Barbara Council Chambers, City Hall, 735 Anacapa Street, Santa Barbara
The hearing may be attended electronically. Meeting details will be posted no less than 72 hours prior to the start of the Public Hearing on the City Council meeting agenda located at SantaBarbaraCA.gov/CAP

PROPOSED WATER RATES FOR: FISCAL YEARS 2025, 2026, 2027, AND 2028

You are receiving this notice because our records indicate that you are a City of Santa Barbara utility customer. If you are not a City water customer, please disregard this Notice.

This Notice describes proposed changes to water rates and explains how you can participate in the public process. The City's water rate structure is based on a comprehensive rate study that uses a rate model to evaluate the cost of water service, as required by Article XIII D, Section 6 of the California constitution.

Why are water rates changing?

The proposed water rates will ensure that the City continues to provide safe and reliable water service by funding the ongoing cost of operating and maintaining the City's water system, including investing in capital infrastructure, meeting water quality standards, servicing debt obligations, and funding reserves.

What goes into a water bill?

Most water bills are made up of two key components: (1) a volumetric charge based on water usage, and (2) a fixed monthly service charge based on meter size. The City's rate structure limits the amount of revenue recovered from fixed charges, resulting in customers having more control over the total cost of their water bill by reducing water usage. Please refer to the second page of this notice for detailed information on proposed volumetric and fixed monthly charges.

How will the proposed changes impact my water bill?

Customers are encouraged to use the online water rate calculator at SantaBarbaraCA.gov/RateCalculator to see how the new rates could impact their bill. The table below shows sample water bills for single family homes based on various levels of usage and a 5/8" meter.

Usage Level	Monthly Usage (HCF)	Current Bill	Proposed FY25 Bill	Proposed FY26 Bill	Proposed FY27 Bill	Proposed FY28 Bill
Low	4	\$53.00	\$58.17	\$64.25	\$70.69	\$77.77
Moderate	10	\$144.14	\$150.03	\$165.77	\$182.35	\$200.59
High	20	\$349.44	\$381.49	\$421.53	\$463.69	\$510.05

The average single family home uses 8 HCF per month and would see their water bill increase from \$113.76 to \$119.41, for FY25, reflecting a difference of \$5.65. (or an increase of approximately 5%).

When do the new rates take effect? City Council will consider adopting water rates on July 2, 2024. The new rates will be effective July 2, 2024.

How do I stay informed?

- Watch City Council meetings online at SantaBarbaraCA.gov/CityTV or tune in to City TV Channel 18.
- Explore updated information on water rate changes at SantaBarbaraCA.gov/WaterRateChanges.
- Contact City staff at (805) 564-5387. Para información en Español, llame al (805) 564-5343.
- Attend City Council meetings electronically; Visit SantaBarbaraCA.gov for meeting participation details.

Please note, the rates included in this Notice are the highest possible rates that could go into effect July 2, 2024.

CHECK OUT THE WATER RATE CALCULATOR AT:
WWW.SANTABARBARACA.GOV/RATECALCULATOR

TABLE 1 – PROPOSED MAXIMUM VOLUMETRIC CHARGES
All rates are in \$/HCF. (1 HCF [Hundred Cubic Feet] = 748 gallons)

Customer Class	Tiers	Current	Proposed			
			FY25	FY26	FY27	FY28
Single Family Residential	First 4 HCF	\$5.10	\$5.49	\$6.06	\$6.67	\$7.34
	Next 12 HCF	\$15.19	\$15.31	\$16.92	\$18.61	\$20.47
	All other HCF	\$28.54	\$34.90	\$38.56	\$42.42	\$46.66
Multi-Family Residential	First 4 HCF (per dwelling unit)	\$5.10	\$5.49	\$6.06	\$6.67	\$7.34
	Next 4 HCF (per dwelling unit)	\$15.19	\$15.31	\$16.92	\$18.61	\$20.47
	All other HCF	\$28.54	\$34.90	\$38.56	\$42.42	\$46.66
Commercial/Industrial	100% of base allotment	\$7.77	\$8.19	\$9.05	\$9.96	\$10.96
	All other HCF	\$28.45	\$37.82	\$41.80	\$45.98	\$50.58
Irrigation – Residential & Commercial	100% of monthly water budget*	\$15.19	\$15.31	\$16.92	\$18.61	\$20.47
	All other HCF	\$28.54	\$34.90	\$38.56	\$42.42	\$46.66
Irrigation – Recreation/Parks/Schools	100% of monthly water budget*	\$5.98	\$7.26	\$8.02	\$8.82	\$9.70
	All other HCF	\$28.54	\$34.90	\$38.56	\$42.42	\$46.66
Irrigation – Agriculture	100% of monthly water budget*	\$3.98	\$5.13	\$5.67	\$6.24	\$6.86
	All other HCF	\$28.54	\$34.90	\$38.56	\$42.42	\$46.66
Recycled Water	All HCF	\$4.99	\$6.10	\$6.74	\$7.41	\$8.15

*What is a Monthly Water Budget? The Monthly Water Budget for irrigation accounts is a calculation of Tier 1 allotment based on the property's irrigated landscape area and the monthly watering needs of plants.

TABLE 2 – PROPOSED MAXIMUM FIXED MONTHLY SERVICE CHARGES

	5/8"	3/4"	1"	1 1/2"	2"	3"	4"	6"	8"	10"
Current	\$32.60	\$47.73	\$77.97	\$153.59	\$244.33	\$531.67	\$955.12	\$1,968.37	\$3,631.93	\$5,749.18
Proposed	FY25	\$36.21	\$52.50	\$85.09	\$166.55	\$264.30	\$573.86	\$1,030.06	\$2,121.66	\$3,913.84
	FY26	\$40.01	\$58.01	\$94.02	\$184.04	\$292.05	\$634.12	\$1,138.22	\$2,344.43	\$4,324.79
	FY27	\$44.01	\$63.81	\$103.42	\$202.44	\$321.26	\$697.53	\$1,252.04	\$2,578.87	\$4,757.27
	FY28	\$48.41	\$70.19	\$113.76	\$222.68	\$353.39	\$767.28	\$1,377.24	\$2,836.76	\$5,233.00

Note: Multi-family auxiliary master meters that serve submeters owned by the City are subject to a monthly operations and maintenance fee not to exceed \$136 per month in FY2025, \$151 per month in FY2026, \$166 per month in FY2027, and \$182 in FY2028.

TABLE 3 – PROPOSED MAXIMUM FIXED MONTHLY PRIVATE FIRE SERVICE CHARGES (IF REQUIRED)

	1"	1 1/2"	2"	4"	6"	8"	10"	12"
Current	\$3.33	\$5.18	\$8.37	\$39.58	\$110.47	\$232.76	\$416.70	\$671.63
Proposed	FY25	\$4.67	\$6.67	\$10.12	\$43.86	\$120.51	\$252.72	\$451.58
	FY26	\$5.16	\$7.37	\$11.18	\$48.47	\$133.16	\$279.26	\$499.00
	FY27	\$5.68	\$8.11	\$12.30	\$53.32	\$146.48	\$307.19	\$548.90
	FY28	\$6.25	\$8.92	\$13.53	\$58.65	\$161.13	\$337.91	\$603.79

How do I protest? If you wish to submit a written protest of any of the above increases, your protest must be received by the City Clerk of the City of Santa Barbara at 735 Anacapa Street, Santa Barbara, CA, 93101, prior to the City Council's consideration of this item on June 25, 2024. Protests must include your name, service address, and whether you are protesting the amount of the fee increase, the basis for calculation of the fee, or both. Written protests may be mailed to or delivered in-person at the address above, or deposited in the bill payment drop box slot located on the exterior of the building on the De La Guerra Plaza side. Only written protests received before the close of the public hearing on June 25, 2024, will be counted. During the hearing, the City Council will consider all protests and public testimony. Protests are public records. One written protest per parcel or service address will be tabulated. If you later challenge the rates in court, you may be limited to the grounds stated in your protest. If you challenge the City's rate setting action in court, you may be limited to the issues and grounds raised in a written protest or in public testimony at the public hearing. There is a 120-day statute of limitation for challenging any new, increased, or extended fee or charge (California Government Code Section 53756).

Supplemental Information

April 2024



Replacing Aging Infrastructure, Investing for Today and Tomorrow



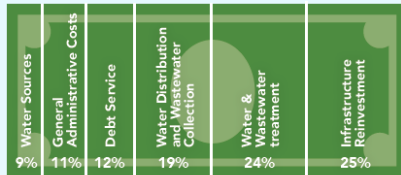
Santa Barbara's water and wastewater systems represent some of the largest public infrastructure investments in our City. Replacing aging pipes and facilities – some dating back to the 1890s – requires significant funds to ensure safe, reliable service 24 hours a day, 365 days a year, while also achieving the City's sustainability goals, addressing impacts of climate change, and protecting public health and our environment.

Ensuring Sufficient Rates to Fund Critical Infrastructure

To implement a vital, long-term plan to replace the aging infrastructure for water and wastewater, and to ensure reliable, 24/7 service, the City is proposing annual rate adjustments over the next four years. This recommendation is based on the cost to provide services to ensure rates are sufficient to:

- Cover costs needed to operate and maintain the City's extensive water and wastewater system which includes 320 miles of water mains, 256 miles of sewer pipes, and other essential facilities.
- Invest in critical improvement projects, including replacing old pipes and infrastructure that have reached the end of their useful lives (with a priority on those installed from 1890 to 1930). Outside costs for this type of work have increased by 20% or more per year since 2020.
- Recover from inflationary increases that have far outpaced the costs rates were initially set to recover.

What Your Bill Pays For



Your monthly bill helps ensure we keep our water and wastewater systems maintained and operating around the clock, which is key to protecting public health and the environment.

Water is Essential

Water is a vital resource in our modern life, and still remains one of the least expensive goods we consume.



Average price per gallon (Source: Numbeo)

Proposed Rate Increases

As a public utility, our rates can only include the costs of providing water and wastewater utility services. Revenues from rates are used to run the utilities and do not generate profit or go towards other City programs. Rates also must be proportionally distributed among customer classifications such as residential, commercial and irrigation users.

Unfortunately, "do nothing" is not an option for maintaining critical infrastructure. Delaying important investments will only make it more expensive in the future and/or could lead to emergencies that will be exponentially more expensive and disruptive than planned maintenance.

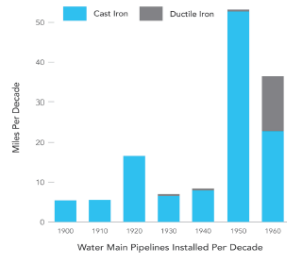
The City provides water and wastewater services to a population of approximately 99,000, with a service area of 20 square miles

Minimizing Customer Impacts while Ensuring Quality Service

While we must be diligent with these important investments, the City also understands the difficulties we all face from rising costs and is working hard to minimize rate increases. From carefully examining all our operations to ensure efficiency, to investing in more efficient technologies and products, and seeking low-interest loans and grants for upcoming projects, our focus is to minimize cost while ensuring safe and reliable services that we rely on 24/7.

For water customers, we continue to offer customer assistance programs including payment arrangement plans, a waiver of the Utility Users Tax for qualifying low-income customers, water leak relief, and a mixture of residential and commercial rebates to encourage the efficient use of water. We've recently partnered with the Alliance for Water Efficiency on a Water Rate Affordability Study to evaluate utility rate affordability challenges and potential solutions.

By strategically investing now, at the lowest cost possible, we are avoiding costlier expenses that can result from lack of care and maintenance, including impacts to our environment and community.



44% of the Santa Barbara's water mains are made of cast iron. Those installed during the post-World War II period were of poorer quality, and these pipes experience five times more breaks per mile than any other pipe material.

We're Seeing Results from Investment

While the impacts of climate change and aging infrastructure are increasing, we're already seeing the benefits of proactive investments in system improvements versus costly reactive repairs. As a result of planned upgrades, treated wastewater from the El Estero Water Resource Center continues to consistently meet state and federal regulations. The City is currently replacing 2% of water mains and rehabilitating 1% of sewer mains every year, which requires the City to reinvest over \$20 million annually into the water and wastewater systems.



Water and sewer mains are some of the City's largest assets and both are priority areas for this rate proposal. The City is currently replacing 2% of water mains and rehabilitating 1% of the sewer mains every year.

To learn more, join our informational webinar on Wednesday, May 22 at 6 pm.



Scan this code using the camera on your phone to learn more about the proposed rate changes and webinar registration.



Next Steps - Proposed Timeline

- 2/15 – **Water Commission**: Review and discuss reserve policy, customer class prioritization, and the balance of fixed vs. volumetric revenue
- 2/27 – **Finance Committee & City Council**: Seek recommendations on water revenue requirements, customer class prioritization, and the balance of fixed vs. volumetric revenue
- 3/5 – **City Council**: Bring Water and Wastewater rates to the scheduled budget work session for further discussion
- 3/21 – **Water Commission**: Present proposed Water and Wastewater Rates for FY25-FY28 to be noticed and seek recommendation
- 4/9 – **Finance Committee & City Council**: Seek approval to send out final Rate Notice (including Solid Waste rates)
- 4/24 – Mail rate notices for Water, Wastewater, and Solid Waste
- 5/22 – Water/Wastewater Public Webinar
- 6/25 – **City Council**: Rate Hearing on the proposed Water, Wastewater, and Solid Waste rate changes
- 7/2 – **City Council**: Adoption of Water, Wastewater, and Solid Waste rates

Recommendations

- A. Receive a presentation on proposed water and wastewater rates for Fiscal Years 2025 - 2028;
- B. Recommend that Council set a Public Hearing date for June 25, 2024, at 2:00 p.m., for consideration of increases to the City's water, wastewater, and solid waste rates; and
- C. Recommend that Council direct staff to send a Notice of Public Hearing to customers informing them of the Public Hearing and proposed changes to water, wastewater, and solid waste rates.

Thank you

