

Sanitary Sewer Fee Study

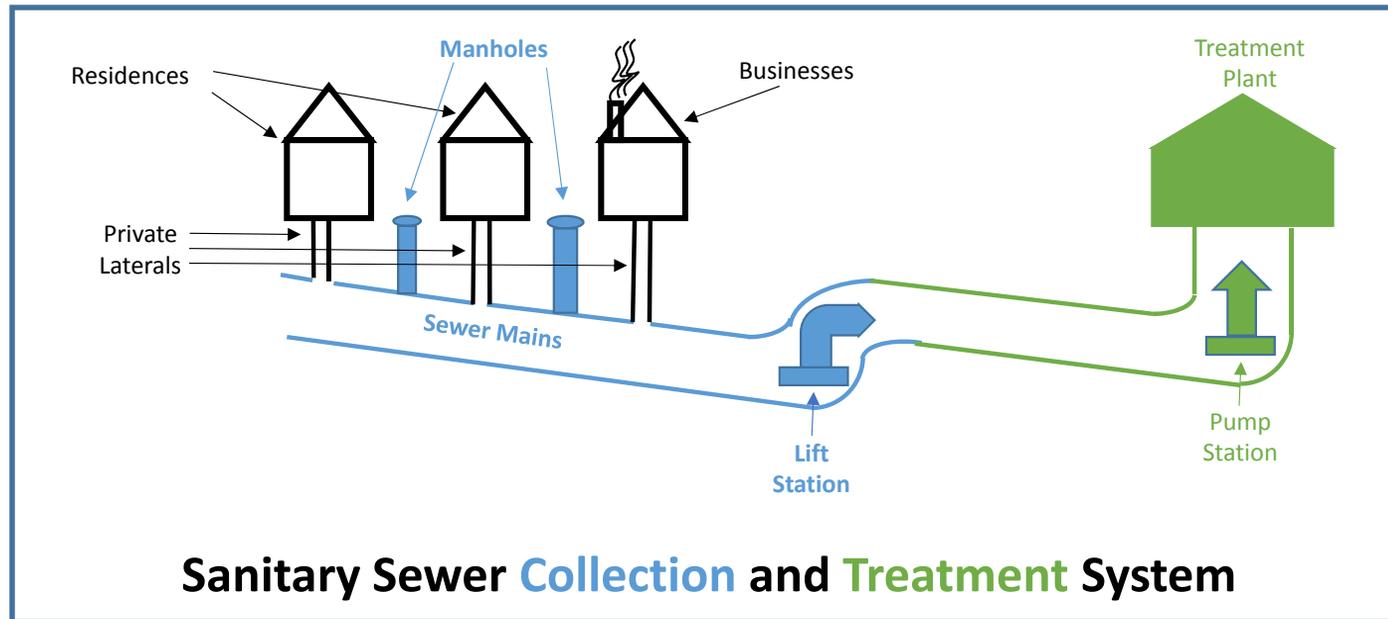
January 28, 2014

Summary

- Sausalito's 75-year-old sewer system is old and deteriorated.
- While the current rates have allowed the City to increase the maintenance, evaluation, and repairs of our sewer system, they do not provide the resources necessary to implement critical upgrades to our sewer pipes and infrastructure.
- We have a responsibility to protect the environment and keep the Bay clean. Our deteriorated sewer pipes cannot currently keep hazardous sewage from polluting the Bay. Additionally spills of raw sewage present a real health risk to residents.
- We need to address these urgent sewer essentials to protect the environment and the health and safety of Sausalito residents.

Background

- The City of Sausalito owns and operates a sewer collection system conveying wastewater to the Sausalito Marin--City Sanitary District (SMCSD) for treatment and discharge to the Bay.



Background (continu

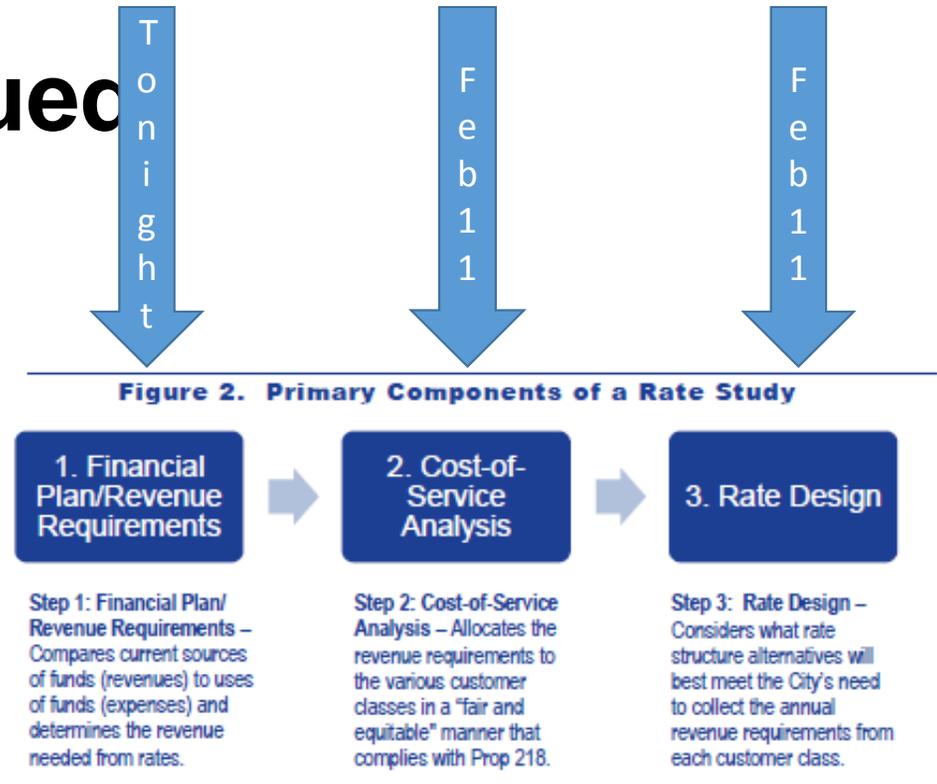
- The rates charged by the City for collection-related service are based on a financial plan prepared in 2009, with rates enacted through 2014.
- The rates are collected citywide from parcel owners billed by the County Assessor's Office on Property Tax Rolls. (SMCSDs treatment and discharge charges are separate, but also on same property tax bill).

Bill Details		Values			
Owner:	[REDACTED]	Land Value:	\$135,000.00		
Parcel Number:	[REDACTED]	Improvement:	\$165,000.00		
Bill Number:	[REDACTED]	Business Property:	\$0.00		
Bill Date:	09/27/2013	Personal Property:	\$0.00		
Tax Rate Area:	009008	Total Value:	\$300,000.00		
Tax Roll Year:	2013	Home Exemption:	\$0.00		
Bill Type:	Secured	Other Exemption:	\$0.00		
		Net Value:	\$300,000.00		
Property Tax Charges					
Levy	Name	Rate/Fund	Install 1	Install 2	Total
0	BASIC TAX	1.0000	\$1,500.00	\$1,500.00	\$3,000.00
1	SCHOOL BONDS	0.0843	\$126.45	\$126.45	\$252.90
1	CITY BONDS	0.0181	\$27.15	\$27.15	\$54.30
3	MS MOSQUITO #1	105110	\$5.78	\$5.78	\$11.56
3	SAUS-MARIN CITY SANI	105475	\$362.50	\$362.50	\$725.00
3	TAM UNION H SCH DIST	107761	\$126.66	\$126.66	\$253.32
3	SEWER CHG-SAUSALITO	109009	\$163.50	\$163.50	\$327.00
3	SAUSALITO-RUNOFF CHG	109163	\$7.50	\$7.50	\$15.00
3	MMWD-FIREFLOW	109192	\$37.50	\$37.50	\$75.00
	Total Tax:	1.1024	\$2,357.04	\$2,357.04	\$4,714.08
	Penalty:		\$235.70	\$0.00	\$235.70
	Additional Penalty:		\$0.00	\$0.00	\$0.00
	Amount Paid:		\$0.00	\$0.00	\$0.00
	Delinquent Date:		12/10/2013	04/10/2014	
	Paid Date:				
	Total Due:		\$2,592.74	\$2,357.04	\$4,949.78

(Single Family Attached Rate)

Background (continued)

- The City retained NBS to prepare a Sanitary Sewer Fee Study for the City of Sausalito. The overall goal for the Sanitary Sewer Fee Study was to identify equitable sewer charges in support of sustainable utility services that address essential sewer upgrade needs.
- Sanitary Sewer fees must be compliant with state law, and must be sufficient to fund programs mandated by state regulations and the EPA orders.
- Some history....



Operational Improvements – last 5 years

By increasing the maintenance, evaluation, and repairs of our sewer system, the City has been able to significantly reduce spills of raw sewage and remain in compliance with a 2008 EPA order.



- Added certified wastewater maintenance technician staff
- Added vacuum/flushing combination cleaning Vactor®
- Added continuous mechanical rodder
- Added closed-circuit television inspection system with video annotation system for NASSCO/PACP condition assessment for asset management software
- Added industry-standard gas detection system for worker protection
- Increased training and documentation of operating procedures
- Increased cross-training and collaboration with SMCSD

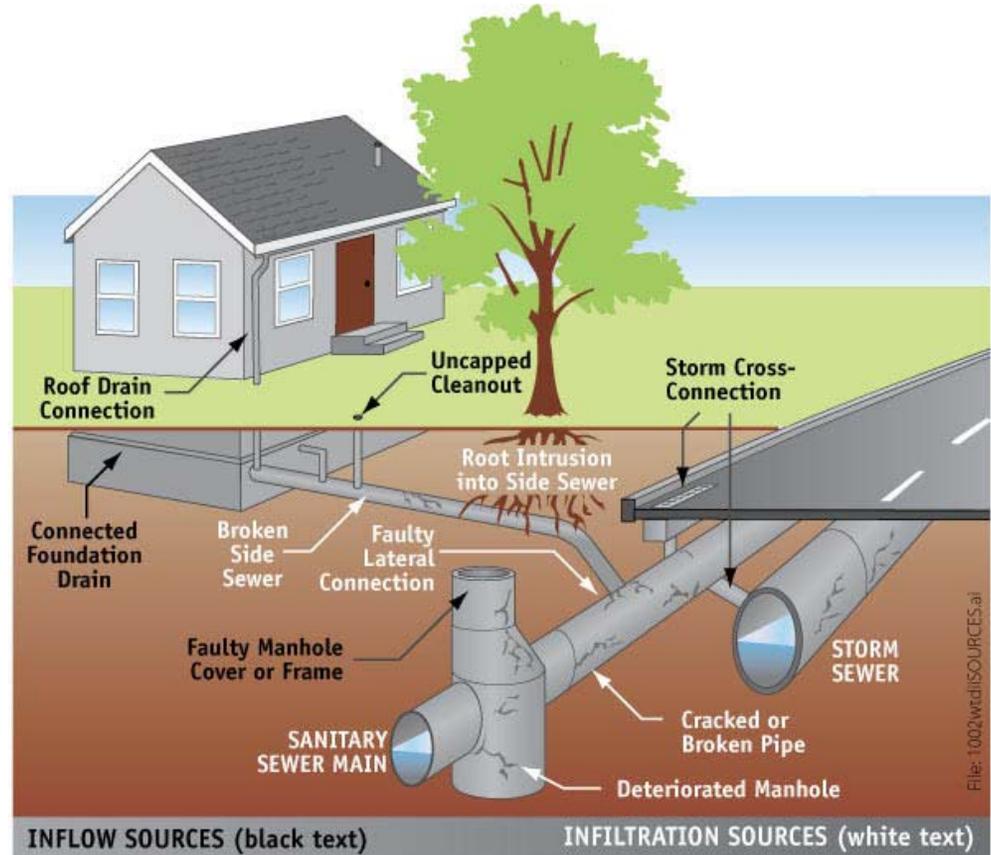
Projects completed – last 5 years

- Woodward to Toyon Pipeline Replacement (completed)
- Whiskey Springs Emergency Generator (purchased towable generator – in service, SMCS D to design permanent)
- Spinnaker/Anchor (under construction)
- Gate 5 Road Pipeline Replacement (65% designed)
- Johnson Street mainline and lower lateral replacement
- Richardson Street lower lateral replacement
- Sanitary sewer defects from laterals corrected through loans, grants, inspections



Level of Service

- Even with the increased maintenance and repairs of our sewer system, upgrades to our deteriorated sewer infrastructure are needed to continue to reduce sewage spills and protect the health of our residents, the environment and the Bay.



Projects to be completed – next 5 years

Many of our 27 miles of sewer pipe were built in the 1930s, are made of clay, and break easily – causing spills of raw sewage in the Bay. The following projects help ensure we have updated pipes and infrastructure to properly and safely transport sewage – keeping our community and environment healthy and safe.

Nevada Street Pipeline Replacement

R&R 6-inch diameter pipeline between Tomales and Bridgeway (Manhole Nos. 370400 to 370100). In order to convey design wet weather flows, the pipe segments require upsizing by one pipe diameter.

Coloma Street Pipeline Replacement

R&R 6-inch and 8-inch pipeline. In order to convey design wet weather flows, the pipe segments require upsizing by one pipe diameter. The project area also includes the Whiskey Springs Pump Station Capacity Improvement project, which provides firm capacity to convey wet weather flows from the design flow event. Preliminary design for the Whiskey Springs Pump Station project will be completed by SMCSO in early 2014, and will include the Coloma Street Pipeline Replacement project.

Gate 5 Road Pipeline Replacement

R&R 6-inch diameter pipeline from Coloma Way to Harbor Blvd (Manhole Nos. 430107 to 430104), and on parts of Harbor Blvd, is in the final design phase and will be constructed in 2014. This project is referenced as Project 1a in the City's 5 year CIP.

Caledonia at Turney Street Pipeline Replacement

R&R 12-inch diameter pipeline between Turney and Locust Streets. (Manhole Nos. 210200 to 210001). This pipeline is currently 12-inches in diameter. In order to convey design wet weather flows, the pipe segments require upsizing by one pipe diameter.

Sewer Enterprise Fund Financial Plan

- **Meeting Operations Costs:** The sewer utility must generate sufficient revenue to cover the expenses of sewer operations, including administration, maintenance, and collection operations. As noted previously, the level of service contemplates deploying 8.1 FTE for annual maintenance repairs, a reduction of 1 FTE from the current operations.
- **Meeting Capital Improvement Costs:** The sewer utility must also be able to fund necessary capital improvements. The City, with the assistance of Housen and Associates, has identified roughly \$5 million in planned capital improvements for the next five years. After deliberations with staff, Finance Committee and consultants, the preliminary findings include funding the infrastructure investment with revenue bonds, in lieu of borrowing from the overly bureaucratic and administrative burdensome State Revolving Fund.
- **Maintaining Adequate Bond Coverage:** The City is required by its bond covenant to maintain a debt service coverage ratio of at least 1.1 for the outstanding state revolving fund loan and will likely be expected to maintain a coverage ratio of 1.15 to 1.20 for revenue bond issues.
- **Building and Maintaining Reserve Funds:** The Utility should maintain sufficient reserves for the following reasons:
 - **Operating Reserves** equal to 25% of the Utility's budgeted annual operating expenses is being recommended. An Operating Reserve is intended to promote financial stability in the event of any unexpected short-term or emergency cash needs.
 - **Capital Reserves** equal to 3% of net depreciable capital assets of the utility for capital repair and replacement needs is being recommended. This target serves simply as a starting point for addressing longer-term needs. If ratepayers can generate revenues at this level and pace, they will have reserved a partial cash resource that can be applied toward future replacement and rehabilitation needs.
 - **Debt Reserve** equal to the reserve requirement for the outstanding state revolving fund loan and revenue bonds is being recommended, which is equal to the maximum annual debt service payment due on outstanding bonds in any given year.

Preliminary Findings

- **Proposed Sewer Revenues:** For Fiscal Years 2014/15 through 2018/19, the net revenue requirement (total annual expenses, including debt service, less non-rate revenues) is approximately \$2.2 to \$2.5 million annually.
- **Development of a Rate Alternative:** Staff, Finance Committee and consultant are recommending a new rate structure for residential customers that includes volumetric charges based on each prior year's winter water consumption. This new rate structure ensures greater equity for rate payers – allowing property owners who use less water to pay less. This new rate structure differs from the City's existing rate structure because it collects 12% of the total revenue requirement from a volumetric charge as opposed to collecting all rate revenue from a fixed charge. This 12% volumetric charge is the result of a separate analysis NBS prepared that evaluated the appropriateness of a volumetric charge for residential customers and estimated the percentage of rate revenue that could be collected from volumetric residential rates.
- **Proposed Sewer Rates:** NBS is in the process of allocating revenues requirements to residential and commercial customer classes based on a fair and equitable manner; and, finalizing sewer rates recommendations, using the volumetric flow-based rate structure for both residential and commercial customers. Staff will return to the City Council at their next regularly scheduled City Council meeting to present the proposed sewer rates for each customer class. Without new rates, the City does not have the resources necessary to make needed sewer upgrades.

Proposition 218 Process

Milestone Date	Action
March 4, 2014	Report to City Council on recommended sewer rates with draft copy of 45 day Proposition 218 notice Adopt Resolution <ul style="list-style-type: none">• Setting rules for tabulating protests• Scheduling public hearing, and• Proposing rate structure
March 5, 2014	Send 45 day notice to printer
March 21, 2014	Mail 45 day notices to property owners
	Track written and verbal responses from property owners
April 25, 2014	Publish 10 day notice of May 6, 2014 Public Hearing on Sewer Charge Report / Rate Ordinance
May 6, 2014	A) Public Hearing and Tally of Protests B) Introduction (first reading) of ordinance Revising City's Sewer Charges
May 20, 2014	Second Reading revising the City's sewer charges

Summary

- With current funding, the City has done everything it can to reduce sewage spills that pollute our environment and the Bay through increased maintenance, evaluation, and repairs of our sewer system.
- We need additional funds to upgrade our 75-year-old, deteriorated sewer pipes and infrastructure to:
 - Protect our waterways, beaches and the Bay.
 - Properly transport sewage for the health and safety of residents.
 - Continue to comply with the EPA's order and clean water requirements.
- ***The plan being recommended to the City Council is a fiscally responsible plan that addresses urgent sewer needs to protect the environment and the health and safety of Sausalito residents.***

Summary (continued)

- **Protect Resident Health and Safety.** Spills of raw sewage present a real health risk to residents. Ensuring we have updated pipes and infrastructure to properly and safely transport sewage is essential to maintaining a healthy, safe community.
- **Meeting EPA Requirements.** By improving the ongoing maintenance of our sewer system, the City has remained in compliance with a 2008 Environmental Protection Agency (EPA) order, avoiding tens of thousands of dollars in fines. However, we now need significant upgrades to our sewer pipes and infrastructure to continue to comply with the EPA's order and clean water requirements.
- **Keeping the City Financially Stable.** Without new rates, the City doesn't have the resources necessary to make these essential sewer upgrades. The funds would come at the expense of other essential City services like police and fire protection.
- **Ensuring equity among rate payers.** The City is working to ensure equity for rate payers by adjusting the amount property owners would pay based in part on their winter water consumption. This means that those property owners who conserve and use less water, would pay less.

Questions

- Sewer Operations and Capital Improvements
 - Jonathon Goldman – Director of Public Works
- Sewer Rate Study, Rate Structure, Ratepayer Equity
 - Tim Seufert, Managing Director – NBS
- Fiscal Impact
 - Charlie Francis – Administrative Services Director / Treasurer
- Communications Outreach
 - Bonnie Jean vonKrogh – Managing Director, Lew Edwards Group
- Overall City Management
 - Adam Politzer – City Manager
- Legal Questions
 - Mary Wagner – City Attorney