

**ORDINANCE NO. 91 – AN ORDINANCE AMENDING ORDINANCE NO. 78 CONCERNING
DISTRICT WASTEWATER SERVICE CHARGES**

BACKGROUND: The District Board of Directors initiated a Sewer Rate Allocation Study in response to customer inquiries about how the District currently charges for sewer service. The study is now complete and the final Technical Memorandum #2 (TM2) is attached to this report. In addition, Ordinance No. 91 has been modified for adoption of the revised wastewater service charges as approved by the Board. The Ordinance has been reviewed by District Counsel as to form and content.

Presentations by District Staff and its consultant, HF&H Consultants, LLC, were made to the District Board and for public comment on April 30, 2012, January 30, 2013, and February 4, 2013; copies of the presentations can be found on the District's website at www.smcsd.net.

At the February 4, 2013 meeting the Board approved Alternative #3 for implementation. Alternative #3 is viewed as an initial modification to the current rate structure. Alternative #3 will allow the District to recognize differences in flow between the three residential customer classes, while further studying historical residential flows. Alternative #3 was developed to overcome the flaws of other alternatives that were evaluated as part of the study.

Under Alternative #3, a fixed component per EDU consisting of 88% of the rate revenue is combined with a volumetric component recovering 12% of the revenue from flow, based on flow differences among customer classes. Customers in each residential class have the same charge. The single family charge is increased as previously adopted. Multi-family and floating home charges will be reduced from the previously adopted charges, resulting in an annual \$100,000 revenue reduction for the District.

The Board has requested that additional analyses be completed during FY 2013-14 that could lead to further adjustments in the rate structure, which includes correcting the resulting revenue shortfall. The additional analysis will build on work completed to better understand certain aspects of the study information related to customer service and District finances.

RECOMMENDATION: Adopt Ordinance No. 91 amending Ordinance No. 78 concerning District wastewater service charges.

ATTACHMENTS:

1. Ordinance No. 91 – changes shown in bold
2. Sewer Rate Allocation Study final technical memorandum dated May 28, 2013.