TO: HONORABLE CITY COUNCIL

ATTENTION: FINANCE COMMITTEE

FROM: CITY MANAGER DEPARTMENT: UTILITIES

DATE: MAY 9, 2006 CMR: 218:06

SUBJECT: UTILITIES ADVISORY COMMISSION RECOMMENDATION TO APPROVE A RESOLUTION ADOPTING A WATER RATE INCREASE

RECOMMENDATION
Staff and the Utilities Advisory Commission (UAC) recommend that the City Council adopt the attached resolution to increase water revenue by approximately $1.47 million or 7%, to be effective July 1, 2006.

DISCUSSION
The Council approved a 10.3% retail water revenue increase for July 2004 implementation. During the budget process, staff informed Council that if water sales remain flat or if there was a rise in wholesale water purchase costs from San Francisco Public Utility Commission (SFPUC), a rate increase may become necessary. The Water Fund sales levels for FY 2005-06 have fallen further from FY 2004-05 levels and staff proposes a revenue increase of 7% for FY 2006-07. With the approval of the proposed 7% increase, the Rate Stabilization Reserve (RSR) balance is projected to remain $1.2 million below the minimum level approved by Council.

BOARD/COMMISSION REVIEW AND RECOMMENDATIONS
The UAC reviewed this recommendation and approved it unanimously at the May 3, 2006 meeting.

RESOURCE IMPACT
Approval of this proposed rate increase will raise the Water Fund sales revenues by approximately $1.47 million for FY 2006-07.

ENVIRONMENTAL REVIEW
The adoption of the resolution does not constitute a project under the California Environmental Quality Act. Therefore, no environmental assessment is required.

PREPARED BY: Lucie Hirmina, Utilities Rates Manager
Tom Auzenne, Assistant Director Customer Support Services
DEPARTMENT HEAD:  

CARL YEATS  
Director, Administrative Services

CITY MANAGER APPROVAL:  

EMILY HARRISON  
Assistant City Manager

ATTACHMENTS
A:  Resolution
B.  Water Rate Schedules W-1, W-2, W-3, W-4, W-6 and W-7
C:  Minutes of the UAC meeting of May 3, 2006