MILL VALLEY

STAFF REPORT

TO: Mayor and City Council

FROM: Jill Barnes, Director of Public Works

SUBJECT: HF&H Consultants proposal to study flow-based residential sewer rates

DATE: October 17, 2011

Approved for Forwarding:

Kimberly Wilson for

James C. McCann, City Manager

Issue:

Consideration of a Resolution authorizing the execution of a professional services agreement with HF&H Consultants to develop a flow-based residential sewer service rate structure.

Recommendation:

Adopt the Resolution.

Background:

The process of updating the City's sewer service rates began in winter 2011 and concluded on June 20, 2011 with the adoption of Ordinance 1250 (Attachment 1) increasing rates over the next five years. On February 7, 2011 an overview of the City's wastewater system and a discussion of the need to increase the sewer service rates last set in 2004 were presented to City Council. On March 7 and April 19, 2011, additional presentations to City Council followed. At City Council's direction and in order to comply with Proposition 218, staff prepared and mailed a newsletter to rate payers to share our basic understanding of the sewer collection system, and to notify them of the proposed rate increase and of a public workshop on May 17, 2011. During the workshop staff presented the proposed increase and received input from the public.

ITEM 8

Based on the current sewer service rate fees adopted in June, the City currently charges single-family residential (SFD) customers a flat, annual sewer service fee. Additional dwelling units (i.e., 2nd and 3rd units) are charged 67% of the SFD rate. (Sewer rates for apartment units were revised in this rate structure and are currently based on metered-water use calculated using the same formula as that used for commercial customers.) The single-family rate does not reflect differences in the volume of wastewater discharged. During the public meetings leading to adoption of this year's sewer service fees, the City Council received several requests from the public to convert these flat, residential rates to flow-based rates to achieve greater equity. In adopting the rate increases for FY 2011-12 City Council directed staff "to provide a study of residential sewer service fees based on water consumption as metered by the Marin Municipal Water District."[1]

During a number of meetings, Council also directed staff to evaluate an expansion of reclaimed water use to study the feasibility of constructing a system to convey water to the golf course and Boyle Park for irrigation. Staff intends to return to Council at a later date with a proposal to conduct this work.

Discussion:

Staff has discussed the City Council direction with HF&H and requested a proposal to undertake this work. Staff did not consider other sources for this work due to HF&H's demonstrated expertise in developing rate structures for us and other municipalities and in consideration of the savings in staff and consultant-time working with HF&H would provide. (HF&H Consultants will start the process with much of the background information and data necessary to perform the study.)

HF&H Consultants (HF&H) specializes in municipal studies used to support and establish city fees in compliance with the California Constitution and Proposition 218. HF&H provided the study and participated in the public meetings to adopt the City's current sewer service fees. If awarded this contract, HF&H would begin the process with a strong knowledge of the City's revenue needs and current rate structure. Furthermore, HF&H provided the study on which the City of Belmont's flow-based sewer rates are grounded and is currently working on a flow-based rate study for the Ross Valley Sanitary District. HF&H has also provided sewer rate structure analysis for the Sausalito-Marin City Sanitary District and Sanitary District No. 5.

The HF&H Consultants proposal includes the following Work Plan:

Task 1. Develop Rate Structure Alternatives including relative amounts and types of fixed and volumetric charges for residential and commercial/apartment buildings. This task would also include developing a program for low income credit and for

[1] Ordinance 1250

consideration of an environmental incentive program to inspect and repair sewers with inflow/infiltration issues, for example.

Task 2. Cost-of-Service Analysis to establish different volumetric charges for each customer class based on the loading it places on the system. The City's current rates do this by assigning strength factors to different customer classes. This will provide a determination of appropriate volumetric charges and fixed charges.

Task 3. Analyze Customer Bill Impacts using metered water-use data from the Marin Municipal Water District to evaluate the structural alternatives and consider the affects to customer's current billing rates and anticipate and plan for decreases in water use in response to flow-based sewer rates.

The Finance Director and City Attorney have reviewed HF&H Consultants proposed scope of work.

Fiscal Impact:

Cost Summary:

HF&H Consultants Proposal		$33,630
Possible Proposition 218 notification mailing		$6,000
Estimated City Attorney Fees		$5,000
	TOTAL COSTS	$44,630

The study and implementation of a flow-based sewer service rate structure was not included in the current budget. Staff therefore requests that Council authorize a $44,630 adjustment from unallocated Sewer Funds to the Sewer Lines Operating Budget-Specialized Services.

Budget Summary:

Estimated 2011/12 sewer service rate revenue	$4,072,000

Current Sewer Budget:

2011/12 Sewer Rehab CIP Program	$1,368,000
2011/12 Sewer Lines Operating Budget	$788,113
2011/12 SASM Agency Fee	$1,683,027
	$3,839,140

Estimated unallocated sewer funds	$232,860

It is estimated that this effort will require 20 hours of staff time to review consultant's work, prepare staff reports, and prepare and present a public workshop. These hours are included in the existing sewer operating budget.

Attachments:

City Council Staff Report
Proposal to study Flow-Based Sewer Rates
October 17, 2011

1. Draft Resolution
2. Proposal
3. Ordinance 1250

RESOLUTION NO. ____

RESOLUTION AUTHORIZING EXECUTION OF A PROFESSIONAL SERVICES AGREEMENT WITH HF&H CONSULTANTS, LLC FOR STUDY OF FLOW-BASED RESIDENTIAL SEWER SERVICE RATES

THE CITY COUNCIL OF THE CITY OF MILL VALLEY DOES HEREBY FIND, DETERMINE, ORDER AND RESOLOVE AS FOLLOWS:

WHEREAS, the City engaged the firm of HF&H Consultants, LLC to perform the 2011/12 Sewer Services Rate Study;

WHEREAS, the City directed that a study be undertaken in 2011/12 to evaluate sewer service rates based on water usage; and

WHEREAS, no legal code or law exists that requires a consulting project be publicly bid;

WHEREAS, competitive bidding statutes apply to public projects, as defined in Public Contract Code section 20161. This project does not fall under that definition. Thus, at its discretion, the City may reach out to only one trusted consultant for this work.

NOW THEREFORE, be it resolved by the City Council of the City of Mill Valley, as follows:

That Jim McCann, City Manager, is hereby authorized to execute on behalf of the City of Mill Valley a Professional Services Agreement with HF&H Consultants, LLC, on file with the City Clerk and incorporated herein by reference, at an expense not to exceed $33,630.

PASSED, APPROVED AND ADOPTED this ___day of ___, 2011, by the following vote:

AYES:
NOES:
ABSENT:

_____
Kenneth R. Wachtel, Mayor

ATTEST:

_____
Kimberly Wilson, CMC, Deputy City Clerk

ATTACHMENT 1

HF&H CONSULTANTS, LLC
Managing Tomorrow's Resources Today

201 North Civic Drive, Suite 230
Walnut Creek, California 94596
Tel: (925) 977-6950
Fax: (925) 977-6955
hfh-consultants.com

Robert D. Hilton, CMC
John W. Farnkopf, PE
Laith B. Ezzet, CMC
Richard J. Simonson, CMC
Marva M. Sheehan, CPA

October 12, 2011

Ms. Jill Barnes
Public Works Director
City of Mill Valley
26 Corte Madera Avenue
Mill Valley, CA 94941

Subject: **Professional Services Proposal:**
Evaluation of Flow-Based Residential Sewer Rate Study

Dear Ms. Barnes:

At the City's request, I have prepared this proposal to evaluate flow-based residential sewer rate structures, including the conversion process from the existing flat rates. This proposal describes the background, approach, work plan, proposed compensation, and schedule for the proposed project.

BACKGROUND

The City currently charges single-family customers a flat annual charge per equivalent dwelling unit (EDU); attached units are charged 0.67 EDUs. These flat charges do not reflect individual differences in the volume of wastewater discharged. During the public meetings leading to adoption of this year's sewer service charges, the City Council received several requests from the public to convert these flat, residential rates to flow-based rates to achieve greater equity. In adopting the rate increases for FY 2011-12, the City Council agreed to evaluate flow-based residential rates.

APPROACH

Our approach is influenced by our recent experience in setting the City's rates for FY 2011-12 and our broader experience with other local sewer agencies such as the City of Belmont, Sanitary District No. 5 (Belvedere/Tiburon), Ross Valley Sanitary District, and Sausalito-Marin City Sanitary District. We will briefly highlight that experience's relevance to the City's rate-making concerns.

ATTACHMENT 2

HF&H began assisting the City of Belmont with annual sewer rate updates in 1999 after the significance of Proposition 218 (which was passed in 1996) became clearer. Our work began when the City wanted to convert its residential sewer customers from flat to flow-based rates using metered water billing data from Mid-Peninsula Water District. We will use our experience in setting Belmont' s flow-based sewer rates in establishing the proper balance between the fixed charge and volumetric charge.

HF&H has updated Sanitary District No. 5's sewer rates since 2004 when Belvedere was annexed to the District. Most recently, HF&H prepared a report evaluating rate structures throughout California used by sewer agencies that bill flow-based residential sewer rates on the property taxes. We identified the types of fixed and volumetric rate structures used for both residential and non-residential customers, the flow basis (e.g., average winter water use for residential), types of non-residential classes, and the associated strength factors for non-residential classes. We will rely on the research conducted for this study in advising the City on its flow-based sewer rate options.

HF&H has updated the Sausalito-Marin City Sanitary District's sewer rates since 2002. Most recently, HF&H worked as the District's designated representative in preparing and submitting its FY 2011-12 sewer service charges for billing on the County of Marin tax rolls. HF&H reviewed the prior year's partial documentation left by a former ~~staff~~Staff member and developed the billing data by working with the County of Marin and MMWD. MMWD billing data was used for calculating flow-based non-residential sewer rates. We will rely on our experience working with Marin County in advising the City on implementation of its flow-based sewer rate on the tax rolls.

HF&H assisted Ross Valley Sanitary District with its rates for FY 2011-12, which called for a 23% rate increase for Ross Valley customers and 46% increase for Larkspur customers. In response to public comment, the District agreed to study flow-based residential sewer a rates, which HF&H was retained to conduct. The study has just started and is scheduled for completion by year-end 2011. The results of this study may be informative to the City.[1]

~~[1] SMCSD recently requested HF&H to provide a proposal to evaluate winter water use for its single-family, multi-family, and houseboat residential classes to determine whether there is any merit to the claim that it is unfair to charge customers in these three classes one EDU. This is similar to the question raised by the City regarding single-family attached units, which were reduced to 0.67 EDUs. The analysis for SMCSD is also intended to determine the standard deviation in metered water use for each class in order to assess whether converting its flat residential charges to flow-based charges is needed to improve equity.~~

Our approach to evaluating the City' s residential flows will also reflect our extensive experience in designing tiered water rate structures. In doing so, we work with a recent year' s customer bills to analyze bill distributions from lowest to highest water use. The analysis indicates median winter, summer, and annual use and allows us to determine impacts on customers across a full range of consumption in converting from flat to flow-based charges.

The approach we propose is designed to provide information to the City Council that will allow it to determine whether it should convert from flat to flow-based rates. Working with City Staff, we will first develop rate structure alternatives from which a preferred alternative will be selected for analysis.

Once the preferred rate structure alternative is selected, we will perform a cost-of-service analysis to determine how much of the revenue requirement should be recovered per account from a fixed charge and how much from volumetric charges from each customer class (i.e., all residential and non-residential classes) based on the strength of their respective wastewater discharges. The cost-of-service analysis will demonstrate that each customer class is paying its respective fair share of the revenue requirements. Rates are calculated to ensure that each class is paying its share of the revenue requirement.

For the residential class, we will evaluate the impact on customers by comparing their flow-based charges versus their flat charges, indicating the magnitude of the impact and the number of customers affected. The impact on non-residential customers will be based on how their current flow-based charges compare with the alternative flow-based charges. Any recommended changes in customer classification will also be shown. With this information, the City will be able to provide input on adjustments to the structure to achieve its objectives.

It is important to note that the analysis of flow-based residential rates will also serve to update the revenue requirement projections for the FY 2012-13 and ensuing four years. In this way, if the City Council decides to convert to flow-based rates, the rates will be based on updated revenue requirements for the next five years. Hence, the City can adopt a five-year rate projection under Proposition 218 with the new flow-based rates.

The following work plan is based on the foregoing approach.

WORK PLAN

This work plan includes initial meetings with City Staff to provide direction and subsequent meetings with City Staff and the City Council to review the analysis and provide input for refinements.

Task 1. Develop Rate Structure Alternatives

We will conduct a Kickoff meeting with City Staff to define flow-based rate structures that will be used for comparison with the existing flat rates for City's customers. Prior to the meeting, we will submit a data request so that data collection can begin immediately.

The structural elements that can be considered are:

- The relative amounts of revenue generated by the fixed and volumetric charges, respectively.
- The type of fixed charge (either a minimum fixed charge or a fixed charge per account).
- The types of volumetric charges and customer classes (e.g., low and high strength).
- The period used for determining each customer's flow (e.g., average winter for residential, annual or winter/summer average for non-residential).
- The possible use of caps on the maximum flow to be used in determining the volumetric charge.[2]
- The possible differentiation of charges between customers that would account for lateral retrofits in which customers with retrofitted laterals would pay reduced charges to reflect the reduced I&I that enters the sewer from their laterals (in effect, customers whose laterals have not been retrofitted would pay a slight surcharge because of the contribution their I&I adds to the peak wet weather flows).
- The use of tiered rates in which below-average flows would be charged less than the average cost and above-average flows would pay above-average costs, similar to MMWD's water rates.
- Any other proposed elements.

[2] State *Revenue Program Guidelines* permit flow caps on residential customers so long as 95% of the bills are based on flow, with no more than the top 5% of bills being subject to the cap.

Formatted: Font: Italic

In addition to structural considerations, implementation requirements will be discussed. Clearly, structures that are conducive to administration are preferable provided that they improve equity. After these basic structural parameters are determined, the analysis can be performed to derive rates for each of the structural elements for each class. By the conclusion of this meeting, we would expect to develop a preferred alternative structure that will be refined as the analysis progresses and input is received.

Deliverables: Data request, Kickoff meeting, meeting agenda, meeting notes.

Task 2. Cost-of-Service Analysis

Setting sewer rates involves consideration of the differences in wastewater strength among customer classes. The City' s current rates do this by assigning strength factors to the non-residential customers. In converting to flow-based rates, we propose establishing different volumetric charges for each customer class that reflects the loading each class~~it~~ places on the system. In order to determine the respective volumetric charges and fixed charges, a cost-of-service analysis is required.

The FY 2012-13 budget will serve as the basis for determining the revenue requirements needed for the cost-of-service analysis. The cost-of-service analysis will determine the amount of revenue associated with the fixed and volumetric charges and will determine each class' vol umetric charges based on their shares of the revenue requirement. The resulting fixed charge and volumetric charges for each class will be used for calculating bills in Task 3.

The cost-of-service analysis will be integrated into the existing rate model that was recently developed for setting the current year's rates. The revenue requirements in the existing model will be updated to reflect the FY 2012-13, which may only be in draft form during the study. We will review the results of the cost-of-service analysis with Staff by comparing the revenue that is currently paid by each class with the portions of the revenue requirements that are allocated to each class in the cost-of-service allocations.

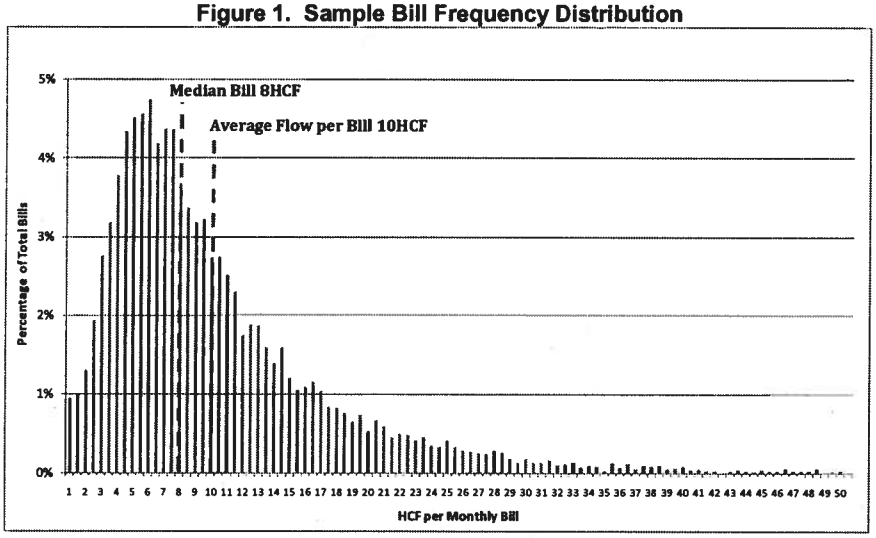
Deliverables: Cost of service analysis, conference call to review the results.~~.~~

Task 3. Analyze Customer Bill Impacts

Working in parallel with Task 2, metered water use data from MMWD for the most recent winter will be requested and used for analyzing the structural alternatives. Bill distributions will be developed from lowest to highest bills for determining the full range of flows and the patterns of the distribution of the bills across the full range.

Figure 1 is an example bill distribution that shows the distribution of each winter monthly water bill from 1 hcf to 50 hcf (1,240 gallons per day – there will be higher bills). The most common value (i.e., the mode) is 6 hcf, which represents 4.8% of all bills. The median value is 8 hcf; half of all winter bills are under this amount and half are ~~over this amount. The average bill is 10 hcf. Bills with below-average flow will pay less than the current flat rate bills and bills with above-average flow will pay more than the current flat rate. With this example data, two-thirds of the bills are less than average, indicating that the majority of residential customers would experience bill reductions by going to flow-based rates.~~

Figure 1. Sample Bill Frequency Distribution



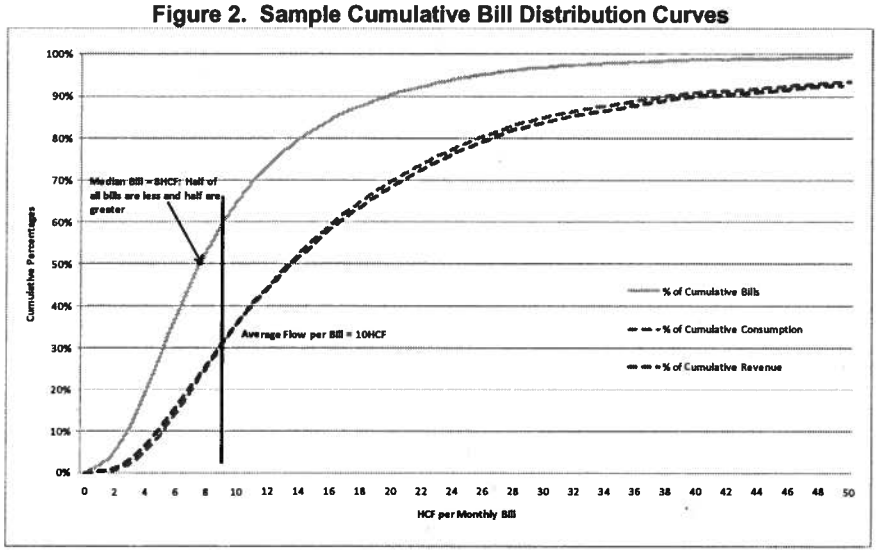
over this amount. The average bill is 10 hcf. Bills with below-average flow will pay less than the current flat rate bills and bills with above-average flow will pay more than the current flat rate. With this example data, two-thirds of the bills are less than average,

indicating that the majority of residential customers would experience bill reductions by going to flow-based rates.

Figure 2 plots the water bills cumulatively from lowest to highest. The bills are plotted as the " Cumulative Bills" (top green line), with the flow and revenue from these bills plotted below them. The median bill, 8 hcf, is plotted at the 50% point on the y-axis because half of the bills are above and below this amount. For bills up to the average, 10 hcf, there is 37% of the revenue and about two-thirds of the bills. In other words, only one-third of the bills are greater than the average but they account for about 63% of the flow and revenue. This is significant because high-flow customers may decrease their winter flows in response to flow-based sewer rates that are based on average winter water use. Anticipating this reduced flow is important because revenue will also be reduced, potentially impacting reserves unless the reduced flow is built into the rate calculations.

The use of statistical analysis such as this is extremely valuable in understanding the impact of rate structures on customers' bills. For example, the data in these curves indicates that the top 10% of bills (where the top green line crosses 90% on the y-axis in **Figure 2**) are for 19 hcf or more, nearly double the average. Customers with flow that high will pay a volumetric component of their bills that is nearly double the volumetric component that an average customer would pay.

Figure 2. Sample Cumulative Bill Distribution Curves



We will also provide analyses that indicate the magnitude of the impacts on customers ranging from lowest to highest use. We will focus on various statistical parameters, such as the lowest and highest quartiles, and the median, mode, and mean values. With this information, we can advise Staff and the Board as to how many customers will experience either higher or lower bills and by how much.
~~The use of statistical analysis such as this is extremely valuable in understanding the impact of rate structures on customers' bills. For example, the data in these curves indicates that the top 10% of bills (where the top green line crosses 90% on the y-axis in Figure 2) are for 19 hcf or more, nearly double the average. Customers with flow that high will pay a volumetric component of their bills that is nearly double the volumetric component that an average customer would pay.~~

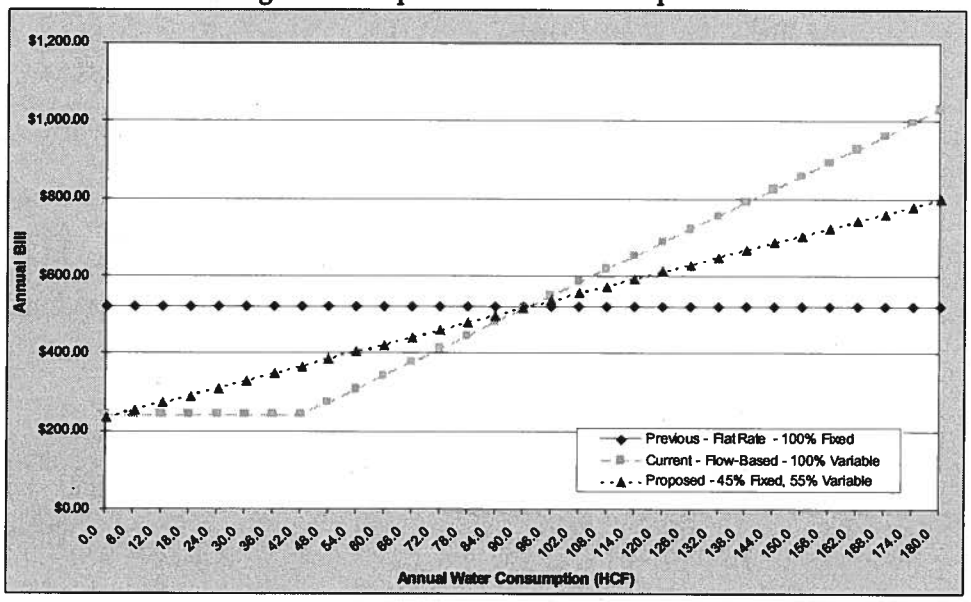
~~We will also provide analyses that indicate the magnitude of the impacts on customers ranging from lowest to highest use. We will focus on various statistical parameters, such as the lowest and highest quartiles, and the median, mode, and mean values. With this information, we can advise staff and the Board as to how many customers will experience either higher or lower bills and by how much.~~

Figure 3 is an example of a customer bill comparison from our work for the City of Belmont. The comparison indicates how two alternatives compared with the flat

residential rate (blue line with diamond symbols). One alternative (green line with square symbols) consisted of a minimum charge up to 42 hcf, after which the volumetric charge was added. With this structure, low-use customers were not paying their share of fixed costs. Another alternative (red line with triangle symbols) consisted of a fixed charge plus a volumetric charge for all water use, the effect of which recovered more fixed costs from low-use customers (and also reduced the impact on high-use customers).

We will use customer bill impact analysis of this type to help refine the balance between fixed and volumetric charges, which, in turn, will balance the impacts between low-use and high-use customers. This balancing process can be done in meetings with City Staff or the Council to great advantage.

Figure 3. Sample Customer Bill Comparison



We would expect to present the results of the analysis to ~~staff~~Staff for review and to make revisions prior to presentation to the City Council. Based on the input that is received, a recommendation will be developed for documentation in a report.

Deliverables: Customer bill analysis in graphical and tabular form, on-site meeting with Staff.

Task 4. Identify Implementation Steps

The implementation steps associated with the conversion from flat to flow-based rates will be identified. Major considerations in implementation will be cost and schedule. The City currently uses a consultant to prepare its billings for the tax rolls. Estimates can be solicited from consultants for the cost of billing all customers on the tax rolls based on flow. A comparison will be made summarizing the differences to assist in supporting the recommendation.

For purposes of this proposal, it is assumed that the City will continue to bill on the tax rolls. However, the City could investigate other billing options, such as investigating whether MMWD would add the City's charges to its bills in the same fashion that certain East Bay cities' se wer bills are included on East Bay Municipal Utilities District's bills.

Task 5. Summarize and Present Results

After the initial model is reviewed with City Staff, we will present the revised analysis to ~~We recommend presenting the analysis to the City Council after it has been thoroughly reviewed with City Staff. T~~the City Council at a public worksession. At this worksession, we will summarize the results and solicit~~'s~~ input and guidance from the City Council. It is expected that two additional presentations will be made to the City Council and public to present additional analyses.

~~can be reflected in a revised analysis that will be summarized in a project report.~~ A project report will be prepared documenting the analysis and preferred alternative rate structure. The report will summarize the updated five-year revenue requirement projections, the cost-of-service analysis, the preferred rate structure, the impacts on customer bills, implementation advantages and disadvantages, and the feasibility of the recommended flow-based rates. The report can be used as the documentation for setting rates for FY 2012-13 and beyond in compliance with Proposition 218 regardless of whether the City continues with its current rate structure or makes structural changes, including flow-based residential rates.~~This information will assist the Council in making a final determination as to whether or not to convert to flow-based residential sewer rates.~~

Deliverables: ~~P~~Three presentations to the City Council, project report.

Task 6. Project Management

There is a small allowance for project management.

CONSULTANT STAFFING

The research and analysis will be conducted under my direction by my associate, Ms Sima Mostafaei. Ms. Mostafaei~~Sima~~ has extensive experience with flow-based sewer rates from her work with the City of Belmont, Sanitary District No. 5, Ross Valley Sanitary District, and Sausalito-Marin City Sanitary District. Ms. Mostafaei was also the rate analyst on the City's rece nt rate study.

ESTIMATED COMPENSATION

Our compensation estimate is summarized in **Figure 4**. It represents our current understanding of the required level of effort and our previous experience with similar projects. It is based on certain key assumptions:

- The updated revenue requirements will be based on a preliminary FY 2012-13 budget. The cost estimate does not include revising the analysis for the final budget, which would be advisable if the City elected to change the rates, thereby requiring a new Proposition 218 process.
- The cost estimate does not include assisting the City with a Proposition 218 process.

We can provide the City with a cost estimate to assist with the Proposition 218 rate adoption process (i.e., assistance with the preparation of the notice, ordinance, presentations, and a final version of the project report) should it be necessary.

The City will only be billed for the services rendered; hence, any services that are reduced or handled by City Staff will reduce our costs. Conversely, any additional effort requested by the City that is not included in this estimate could result in additional cost. We will request authorization from the City prior to proceeding with out-of-scope work.

SCHEDULE

We can complete this work within the 45 to 60 days depending on the timing of meetings with City Staff and any additional review time of deliverables. Presentations to the Council will also have to be agendized. It is realistic to expect that 120 days will be required including time for our analysis and for the subsequent presentations, which means that the project would be completed by mid-February. This schedule would allow sufficient time for implementation if the City Council elected to convert to the new rate structure. Implementation would call for making minor modifications to the revenue requirement projections to reflect the final budget, acquiring updated non-residential flow data for calculating their flows (the flow data from the prior winter used for analyzing residential flow-based rates will not need to be updated), and for assisting with the Proposition 218 process.

Figure 4. Cost Estimate

Tasks	Estimated Hours and Fees		
	Farnkopf Project Manager	Mostafael Associate Analyst	Total
Hourly rates	$210	$150	
Task 1. Develop Rate Structure Alternatives			
Conduct Kick-off Meeting	4	4	6
Task 1 hours	4	4	8
Task 1 fees	$840	$600	$1,440
Task 2. Cost of Service Analysis			
Update model			
Data collection/review	2	4	6
Analysis/modeling	4	16	20
Review with Staff (by phone)	2	2	4
Revise model	2	4	6
Task 2 hours	10	26	36
Task 2 fees	$2,100	$3,900	$6,000
Task 3. Analyze Customer Bill Impacts			
Evaluate customer billing data			
Data collection/review	0	2	0
Analysis/modeling	4	24	28
Develop alternative rate structure			
Analysis/modeling	8	8	16
Summarize results	4	4	8
Review with Staff (on site)	4	4	8
Revise model	2	4	6
Task 3 hours	22	46	66
Task 3 fees	$4,620	$6,900	$11,520
Task 4. Identify Implementation Steps			
Identify procedures	2	4	6
Identify implementation costs	2	4	6
Task 4 hours	4	8	12
Task 4 fees	$840	$1,200	$2,040
Task 5. Summarize and Present Results			
Public presentations (three on site)			
Preparation and attendance	24	8	32
Prepare draft report	16	4	20
Review with Staff (by phone)	1	1	2
Prepare final report	4	2	6
Task 5 hours	45	15	60
Task 5 fees	$9,450	$2,250	$11,700
Task 6. Project Management			
Task 6 hours	3	0	3
Task 6 fees	$630	$0	$630
Task 1- 6 hours	88	99	185
Task 1- 6 fees	$18,480	$14,850	$33,330
Direct expenses (Travel, misc.)	$0	$0	$300
Total Fees and Expenses	$18,480	$14,850	$33,630

Tasks	Estimated Hours and Fees		
	Farnkopf Project Manager	Mostafaei Associate Analyst	Total
Hourly rates	$210	$150	
Task 1. Develop Rate Structure Alternatives			
Conduct Kick-off Meeting	4	4	8
Task 1 hours	4	4	8
Task 1 fees	$840	$600	$1,440
Task 2. Cost of Service Analysis			
Update model			
Data collection/review	2	4	6
Analysis/modeling	4	16	20
Review with Staff (by phone)	2	2	4
Revise model	2	4	6
Task 2 hours	10	26	36
Task 2 fees	$2,100	$3,900	$6,000
Task 3. Analyze Customer Bill Impacts			
Evaluate customer billing data			
Data collection/review	0	2	0
Analysis/modeling	4	24	28
Develop alternative rate structure			
Analysis/modeling	8	8	16
Summarize results	4	4	8
Review with Staff (by phone)	2	2	4
Revise model	2	4	6
Task 3 hours	20	44	62
Task 3 fees	$4,200	$6,600	$10,800
Task 4. Identify Implementation Steps			
Identify procedures	2	4	6
Identify implementation costs	2	4	6
Task 4 hours	4	8	12
Task 4 fees	$840	$1,200	$2,040
Task 5. Summarize and Present Results			
Prepare draft report	16	4	20
Review with Staff (by phone)	2	2	4
Revise draft report	2	2	4
Present revised report to Council	8	4	12
Prepare final report	4	0	4
Present final report	4	0	4
Task 5 hours	36	12	48
Task 5 fees	$7,560	$1,800	$9,360
Task 6. Project Management			
Task 6 hours	2	0	2
Task 6 fees	$420	$0	$420
Task 1- 6 hours	76	94	168
Task 1- 6 fees	$15,960	$14,100	$30,060
Direct expenses (Travel, misc.)	$0	$0	$200
Total Fees and Expenses	$15,960	$14,100	$30,260

~~**SCHEDULE**~~

~~We can complete this work within the 45 to 60 days depending on the timing of meetings with City Staff and any additional review time of deliverables. Presentations to the Council will also have to be agendized. It is realistic to expect that 90 days will be required, which means that the project may be completed by year end. This schedule would allow sufficient time for implementation if the City Council elected to convert to the new rate structure. Implementation would call for making minor modifications to the revenue requirement projections to reflect the final budget, acquiring updated non-residential flow data for calculating their flows (the flow data from the prior winter~~

~~used for analyzing residential flow-based rates will not need to be updated), and assisting with the Proposition 218 process (i.e., assistance with the preparation of notice, ordinance, presentations, and an updated version of the project report).~~

I hope this proposal is responsive to the City's requirements. Please let me know if any revisions are needed. I would like to thank you for requesting this proposal from us, a request that we consider a vote of confidence that we would like to sustain. We greatly appreciate the opportunity to be of further assistance on this challenging project.

Very truly yours,

HF&H CONSULTANTS, LLC

John W. Farnkopf, P.E.
Senior Vice President

Formatted: Body Text

ORDINANCE NO. 1250

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF MILL VALLEY AMENDING TITLE 17, CHAPTER 17.04 OF THE MILL VALLEY MUNICIPAL CODE REGARDING SEWER SERVICE FEE

THE CITY COUNCIL OF THE CITY OF MILL VALLEY DOES HEREBY ORDAIN AS FOLLOWS:

The City Council finds:

A. Pursuant to the provisions of Chapter 17.04 of the City of Mill Valley Municipal Code and Article 4 of Chapter 6 of Part 3 of Division 5 of the California Health and Safety Code, commencing with Section 5470, the City Council is authorized to levy an annual sewer service fee (the "Fee") and to have such Fee collected on the tax roll in the same manner, by the same persons, and at the same time as, together with and not separately from, the general taxes of the City.

B. The City Council has caused to be prepared a rate study (the "Study") to analyze the direct cost of providing sewer service for fiscal years 2011-12 through 2015-16. The City Council has reviewed the study and has determined to increase the Fee from $297 to $600 per Equivalent Dwelling Unit (EDU) in fiscal year 2011-12, to $677 per EDU in fiscal year 2012-13, to $677 per EDU in fiscal year 2013-14, to $685 per EDU in fiscal year 2014-15 and to $685 per EDU in fiscal year 2015-16.

C. Following notice duly given in accordance with law, the City Council held a full and fair public hearing regarding the proposed increases to the Fee and heard and considered all objections and protests thereto. The City Council determined at the close of the public hearing that written protests had not been presented by a majority of the owners of the parcels upon which the City proposes to impose the Fee increase.

D. The City Council has directed staff to provide a study of residential sewer service fees based on water consumption as metered by the Marin Municipal Water District. Staff plans to return to Council in spring 2012 at which time the City Council could consider amending the ordinance to revise the method of calculating residential fees for charges on the 2012/13 tax roll.

Section 2. Section 17.04.090 of Chapter 17.04 of the Mill Valley Municipal Code is amended in its entirety to read as follows:

17.04.090. Sewer Service Fee Levied.

For each premises connected or required by this chapter to be connected to the sewer system, the annual sewer service fee is the product of a sewer service charge per Equivalent Dwelling Unit (EDU) times the number of EDUs for the premises:

A. Equivalent Dwelling Unit (EDU). An EDU is a service unit measured in relation to the characteristics of the average daily discharge produced by a typical single dwelling unit which is the product of a water usage factor and a strength factor.

1. Single Family Residential Customer EDU. The EDU for single family residential customers is one (1) EDU. The EDU for a second dwelling unit (as that term is defined in Chapter 20.08 of this Code) shall be 0.67 EDU.

2. Other Customer EDUs. The EDU for each customer who is not a single family residential customer is the product of the customer's strength factor and the customer's annual water usage factor.

a. Strength Factor. Each premises shall be assigned a strength factor per Section 17.04.100, which represents the strength characteristics of the wastewater discharged by the premises. The strength factor for the premises shall be the user category for the premises as of the first (1st) day of March each year.

ATTACHMENT 3

b. Water Usage Factor. The water usage factor shall be determined each year for the premises by dividing the water consumption for the premises by the residential customers' average water consumption.

i. The average residential water consumption shall be based upon the average water usage of the two, two-month "summer" and "winter" intervals for the City's preceding fiscal year and shall be determined by the City from the annual report furnished by the Marin Municipal Water District.

ii. Water consumption shall be based on the average water usage for such premises during the two, two-month "summer" and "winter" intervals for the City's preceding fiscal year and shall be determined by the City from the annual report furnished by the Marin Municipal Water District.

iii. The water usage factor for schools shall be based on winter water consumption instead of winter/summer average.

iv. The water usage factor for convalescent and retirement homes shall be based on winter water consumption instead of winter/summer average.

B. Charge per EDU. Beginning July 1, 2011, the charge per EDU shall be $600. Beginning July 1, 2012, the charge per EDU shall be $677. Beginning July 1, 2013, the charge per EDU shall be $677. Beginning July 1, 2014, the charge per EDU shall be $685. Beginning July 1, 2015, charge per EDU shall be $685.

C. Low Income Assistance. The sewer service fee for a parcel occupied by a low-income customer may receive a credit of 25%. For the purposes of this section, "low-income customer" means a residential customer of the sewer system that applies for low-income assistance and meets eligibility conditions determined by the City Manager, which shall be based on the types of low-income discount programs established by California public utility companies or public agencies.

D. Laundromats. The sewer service fee for coin-operated laundromats with dryers may be reduced up to a maximum of 15% (as determined by the City Engineer) in consideration of reduced flow to the sewer system by action of the dryers.

E. Collection. The sewer service fee shall be collected for each fiscal year on the tax roll in the same manner, by the same persons, and at the same time as, together with and not separately from, the general taxes of the City, provided, however, in any year the City Council may by resolution, provide for an alternative procedure for collection of the sewer service fee. For any fiscal year that the sewer service fee is not collected on the tax roll, the City may collect all or a portion of the sewer service fee for such year on the tax roll in the following fiscal year or years."

Section 3. Section 17.04.100 of Chapter 17.04 of the Mill Valley Municipal Code is amended in its entirety to read as follows:

17.04.100. Table of Strength Factors for Each User Category.

CATEGORY	Strength Factor
Single Family Residential	1.00
Auto Steam Cleaning	4.33
Apartments	1.00
Bakery, Wholesale	3.00
Bars without Dining Facilities	1.00
Car Wash	0.60
Department & Retail Stores	0.80
Hospital and Convalescent	0.90
Hotel with Dining Facilities	2.20

Hotel without Dining Facilities	1.30
Laundromat	0.80
Laundry - Industrial	2.58
Laundry - Commercial	1.50
Markets with Garbage Disposals	3.00
Mortuaries	3.00
Professional Office	0.70
Repair Shop & Service Stations	1.10
Restaurant	3.00
Soft Water Service	1.00

Section 4.
The City Clerk is directed to certify to the enactment of this ordinance and to cause this ordinance to be published as required by law.

PASSED AND ADOPTED at a regular meeting of the City Council of the City of Mill Valley held on **20th** DAY OF**June**, 2011.

AYES: Mayor Wachtel, Vice Mayor Lion, Councilmembers Marshall and Moulton-Peters
NOES: None
ABSENT: Councilmember Berman

Kenneth R. Wachtel, Mayor

ATTEST:

Kimberly Wilson, CMC, Deputy City Clerk