



## **Staff Report**

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### RESOLUTION OF THE CITY COUNCIL OF THE CITY OF BELMONT STATING ITS INTENTION TO REVISE THE CITY'S SEWER CHARGES EFFECTIVE FISCAL YEAR 2009-10

Honorable Mayor and Council Members:

#### **Summary**

On March 24, 2009, the City Council discussed and provided direction to City Staff on the proposed Sewer Charge Revisions for Fiscal Year 2009-2010. City Council direction was to review with the Infrastructure Subcommittee and bring back recommendations for “greening” the City Sewer program, to investigate potential cost savings in the program arising from deferral or reduction of the CIP or other cuts in the City Sewer and Storm Drain Programs, to review options to fund the Sewer Enterprise’s Capital Improvement Program (CIP) on a pay-as-you-go basis, and to examine the reserves and rates necessary to do so.

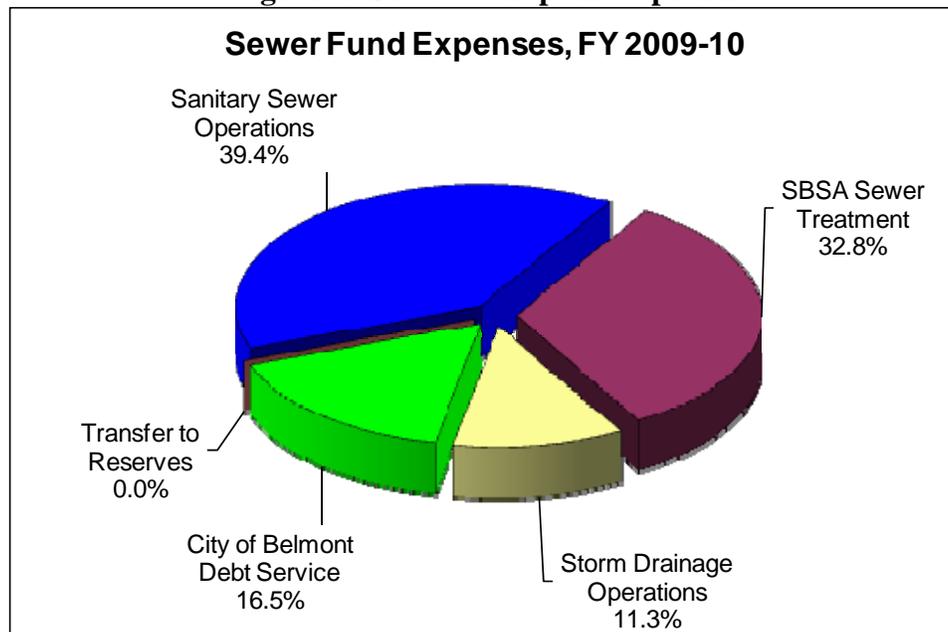
The City of Belmont prepares an annual analysis of the Sewer Enterprise Fund to evaluate the Fund’s financial position and to determine whether or not sewer rates need to be revised. The Rate Analysis Report, with addendum showing the proposed revisions, is enclosed for City Council use and consideration. A Proposition 218 hearing is required before the City Council can impose an increase in sewer charges. An authorizing resolution, approved by Council, directs the mailing of Proposition 218 Notices. The authorizing resolution sets rules for tabulating protests, proposes the rates and rate structure, and schedules a public hearing. An action plan showing the proposed schedule for the Proposition 218 process is included as Attachment B.

#### **Background**

The City’s Sewer Charge revenue is used to fund operations, maintenance, and capital improvements of the City of Belmont’s collection system, and also to fund operations and maintenance costs for the South Bayside System Authority’s (SBSA) Wastewater Treatment Plant. The City’s Sewer Charge is a separate charge from the proposed Sewer Treatment Facility Charge under consideration to fund Capital Improvements to the Wastewater Treatment Plant, as shown in the SBSA’s Capital Improvement Program.

Sewer Fund expenses for FY 2009-10 are as shown on the following chart (**Figure 1**). The costs are similar to those that were presented at the March 24, 2009 City Council meeting with some slight adjustments related to funding depreciation and the timing of the next bond sale, which are described in detail in the discussion section below.

**Figure 1. Sewer Enterprise Expenses**



The SBSA Sewer Treatment portion of the City Sewer Charge provides funding for the operation and maintenance, and some minor capital improvements, to the Wastewater Treatment Plant and appurtenant facilities.

The Sanitary Sewer Operations program provides funds for the operation and maintenance of the City's sanitary sewer collection system. The City maintains 2,450 manholes, 84 miles of sewer main lines and 11 sanitary sewer pump stations. Maintenance staff performs preventive maintenance on sewer main lines, pump stations, annually cleans 50 miles of sewer main lines and video inspects 30 miles of sewer main lines. In addition, staff repairs damaged sewer main lines and manholes and provides 24-hour-a-day response to calls for lateral sewer service. Staff also oversees an annual root foaming contract that chemically treats approximately 50,000 – 60,000 feet of main lines to inhibit root growth.

The Storm Drain Operations Program provides funds to prevent overflows from the storm drain system that cause inflow and infiltration (I&I) into the City Sanitary Sewer System. Storm Drain fees also support the Storm Drain program. City staff maintains 26 miles of storm drain pipe, 586 storm drain manholes and 2 storm pump stations. Each year staff inspects 1,410 storm drain inlets and cleans approximately 700 storm drain inlets.

The City collection system capital improvement program is based on the Sewer Master Plan and Storm Drain Master Plan, both completed in 2007 and reviewed with the City Council in detail at that time. The Master Plans describe the capital needs of the City Sewer and Storm Drain programs, and recommend a program for approximately \$40 million dollars each in improvement to the storm and sanitary systems that should be implemented over the next 25

years. The City is currently completing a Capacity Analysis of the sewer system and the proposed budget includes funding to evaluate the City's sewer force mains in upcoming years. These studies will identify future improvement and maintenance needs within the city sewer system.

The proposed projects for the Sewer program extend the life of the system and are developed with the primary goal of preventing Sanitary Sewer Overflows. This includes measures, such as the lining and repair of cracked pipes, to reduce inflow and infiltration of stormwater (I&I) into the system. Emergency response is also highlighted and improvements to the system to improve emergency response during power outages are included in the plan for improvement. These measures protect the environment and also comply with regulatory requirement of the Regional Water Quality Control Board (RWQCB). If the City does not comply with its Sewer System Management Plan, it increases the risk of larger fines and other requirements being imposed in the event there is an overflow. The City Master Plan evaluation looked at the age of the system in each basin, and found that in those basins with the oldest pipes the number of service calls is the highest. This would be a reflection of the fact that older, unmaintained portions of the system are more likely to have cracks or displacements in the pipe or to have root intrusion into the system, resulting in blockage of the flow and the resulting overflow.

The storm drain improvements are developed with the primary goal of preventing inflow and infiltration into the City Sanitary Sewer System due to storm drain deficiencies that result in flooding or excessive infiltration of groundwater into the soil surrounding sewer pipes. Addressing deficiencies in the system also reduces the probability that portions of the system will fail. By improving and maintaining the city infrastructure, the City reduces future deferred maintenance costs and extends the systems life.

The current capital program is a proactive rather than a reactive one. Whether or not to support a proactive program of identifying potential failures in advance and systematically repairing or to go to a program where problems are fixed only as they occur is a policy decision. The recommendation in response to City Council comments from March 24 is to go to a program that is reactive in nature until spring of 2010, when the proactive improvement program would return following the sale of bonds<sup>1</sup>.

### **Discussion**

The direction provided by the City Council was to bring back recommendations for “greening” the City Sewer program, to investigate potential cost savings in the program arising from the deferral or reduction of the Capital Improvement Program (CIP) or other cuts in the City Sewer and Storm Drain Programs, to review options to fund the Sewer Enterprise's Capital Improvement Program (CIP) on a pay-as-you-go basis, and to examine the reserves and rates necessary to do so.

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<sup>1</sup> Another factor in the delay of the capital improvement program is a loan of \$935,000 from the Sewer Enterprise Fund to pay the first installment of debt service due to the SBSA for Treatment Plant upgrades. It is anticipated that this loan will be repaid in FY 2009-10 from the proceeds of bond financing for the City's share of SBSA capital obligations in anticipation of the enactment of the Sewer Facility Treatment Charge.

After review of the direction from the City Council, a Cost Saving Option, Option 1 that provides cost savings measures through deferral of debt issuance was developed. The Cost Saving Option would provide the lowest rate increase in the first year and is recommended. In addition an alternative, a Hybrid Option, Option 2 that combine cost savings measures through deferral of debt issuance and beginning of a pay-as-you go capital funding program were developed for the City Council consideration. The Hybrid option proposal would provide for a slightly higher rate increase in the first year, but would begin the City on the path to a partial or complete pay-as-you-go capital funding program.

Two other alternatives for immediately implementing a pay-as-you-go option were evaluated, but the resulting much higher initial cost appears problematic, especially under current economic conditions.

#### Water Conservation and Other Green Measures

The City's rate analysis consultant, HF&H Consultants, LLC (HF&H) investigated development of a rate incentive program that would reward those users who conserve water with lower rate and impose higher charges on those users with above average use. Increasing block rate structures of this kind are a common practice in setting utility rates for water supply. For water purveyors the block rates are supported by increased cost for the water provider to securing higher capacity. The price signal can be so effective that short-term revenue shortfalls can occur as a result of reduced flow. City's specialized counsel advised that such an approach could be difficult to justify for sewer rates, and thereby legally risky, based on legal counsel's interpretation of the California Constitution (Article XIID, Section 6). Therefore the sewer rates cannot be set for the purpose of causing water conservation.

This increasing block rate structure option and the concerns that were generated during its investigation were reviewed with the Infrastructure Subcommittee on March 30, 2009. One suggestion from the Committee was to review the ideas that are being generated by the Green Advisory Committee and implement those that are applicable during the budget cycle. This approach is recommended, and with the City Council's concurrence will be pursued further.

Staff also recommends that the City implement programs to reduce inflow and infiltration such as ordinances requiring replacement of sewer laterals upon sale of a home or when building permits for construction are obtained. Current major building projects are required to replace the lateral on a case by case basis, as needed. These program that address I&I from privately owned and maintained sewer laterals would further the goal of the City's capital program. These types of programs would also reduce the City's wet weather capacity needs at the Wastewater Treatment plant, and the associated cost for treatment. As these types of programs become more common in other jurisdictions, they generate less controversy. If the City Council desires staff to research and develop such a program, which is recommended, it is suggested that the results of that investigation be presented to the Infrastructure Subcommittee for input before being brought back to the City Council.

#### Potential Cost Saving Measures

The proposed cost savings, reflected in the proposed rates shown in Attachment A to the Resolution, Option 1, would be the result of going to a reduced capital improvement program that is reactive in nature from the end of FY 2008-09 until spring 2010 when the capital improvement program would re-commence. The proposed rate increase to support such a plan would increase rates 5.0% (\$15.12, or a 3.0% increase in the average bill) for the average single family home versus 9.0% (\$34.47, a 6.85% increase in the average bill) as shown in the analysis presented to City Council on March 24, 2009.

Under the revised plan, the cost savings would be achieved by delaying certain new construction projects. Projects would continue to be designed, with staff continuing to work on Sewer and Storm related projects currently underway, but limited projects would be awarded until after February 2010. The delay occurs because the currently remaining bond proceeds will be spent before the proposed next \$8.5 million in sewer revenue bonds are sold, which is currently planned for February 2010. This differs from the March 24, 2009, proposal, in which these bonds would have been sold earlier, in late 2009, before the remaining bond proceeds are fully expended. The result of delaying the bond sale is a savings of approximately \$200,000 in FY 2009-10.

An additional \$330,000 in savings is proposed by deferring the funding of depreciation in FY 2009-10. Typically, depreciation is funded each year from rates so that funds are added to reserves for funding maintenance and capital improvements.

The consequence of both of these cost savings, combined with the loan from the capital fund described above, is that capital reserves will be depleted to unusually low levels. The risk that reserves would be inadequate to cover any emergency that might occur would be reviewed during the next budget cycle, and all capital construction would be put on hold if needed.

**Figure 2** compares the rate projections presented at the March 24, 2009, City Council meeting with the modified proposal in which the 2009 bond sale is delayed to 2010 and depreciation is not funded in FY 2009-10.

**Figure 2. Rate Projections with Continued Debt Funding of CIP**

	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14
<b><i>Original Report (March 24, 2009 Council Meeting)</i></b>						
Increase in Rates		9.0%	9.5%	9.5%	9.5%	8.5%
Cumulative Increase		9.0%	19.4%	30.7%	43.1%	55.3%
Annual Account Charge	\$238.16	\$259.59	\$284.25	\$311.25	\$340.82	\$369.79
Low-Strength Rate / HCF	\$3.12	\$3.40	\$3.72	\$4.07	\$4.46	\$4.84
High-Strength Rate / HCF	\$6.08	\$6.63	\$7.26	\$7.95	\$8.71	\$9.45
<b><i>Option 1 - Cost Savings, Continued Debt</i></b>						
Increase in Rates		5.0%	10.5%	10.5%	10.5%	10.5%
Cumulative Increase		5.0%	16.0%	28.2%	41.7%	56.5%
Annual Account Charge	\$238.16	\$250.07	\$276.33	\$305.34	\$337.40	\$372.83
Low-Strength Rate / HCF	\$3.12	\$3.28	\$3.62	\$4.00	\$4.42	\$4.88
High-Strength Rate / HCF	\$6.08	\$6.38	\$7.05	\$7.79	\$8.61	\$9.51

The Option 1 savings reduces the 9.0% rate increase in FY 2009-10 to 5.0%, but increases rates in subsequent years in order to restore funding. With the subsequent 10.5% increases, the City will be in position to sell \$8.5 million in sewer revenue bonds in FY 2009-10 and 2012-13 to fund the ongoing capital improvement program. With this modified proposal, the City will continue to fund the capital improvement program almost exclusively from debt.

Pay-As-You-Go Capital Funding

At the City Council’s direction, HF&H also evaluated rate increases that would be necessary for the City to fund its capital improvement program from cash on a pay-as-you-go basis rather than from debt, as has been its recent practice. Pay-as-you-go financing is cheaper in the long run because it avoids interest costs, but does not provide cash up front in the amounts needed without significant rate increases.

**Figure 3** compares two purely cash-funded scenarios. Under one scenario, which represents one end of the spectrum, a 60.0% increase in rates in FY 2009-10 would allow for an immediate conversion to pay-as-you-go financing, eliminating the need for the proposed bond in FY 2009-10 and subsequent years (assuming current levels of funding continue). Minimal rate increases would be needed through FY 2013-14, when the cumulative rate increases would be 68.0%, compared with 56.5% for the modified program.

Another pay-as-you-go scenario was run in which the transition to full pay-as-you-go financing would occur by FY 2013-14 through a series of four 19.0% annual rate increases, for a cumulative increase of 100.5%. During the transition, there would be a delay in capital improvements until rates increased sufficiently, after which the delayed projects would be funded along with future projects.

These two pay-as-you-go scenarios illustrate that making the transition from a debt-funded to a cash-funded capital improvement program is more expensive over the short term. They also show that earlier, larger increases are less expensive over the long term.

**Figure 3. Pay-as-You-Go Rate Projections**

	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14
<b><i>Pay-as-You-Go (PAYGO) - Immediate Transition</i></b>						
<b>Increase in Rates</b>		<b>60.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>5.0%</b>	<b>0.0%</b>
<b>Cumulative Increase</b>		<b>60.0%</b>	<b>60.0%</b>	<b>60.0%</b>	<b>68.0%</b>	<b>68.0%</b>
Annual Account Charge	\$238.16	\$381.06	\$381.06	\$381.06	\$400.11	\$400.11
Low-Strength Rate / HCF	\$3.12	\$4.99	\$4.99	\$4.99	\$5.24	\$5.24
High-Strength Rate / HCF	\$6.08	\$9.73	\$9.73	\$9.73	\$10.22	\$10.22
<b><i>PAYGO - Gradual Transition</i></b>						
<b>Increase in Rates</b>		<b>19.0%</b>	<b>19.0%</b>	<b>19.0%</b>	<b>19.0%</b>	<b>0.0%</b>
<b>Cumulative Increase</b>		<b>19.0%</b>	<b>41.6%</b>	<b>68.5%</b>	<b>100.5%</b>	<b>100.5%</b>
Annual Account Charge	\$238.16	\$283.41	\$337.26	\$401.34	\$477.59	\$477.59
Low-Strength Rate / HCF	\$3.12	\$3.71	\$4.41	\$5.25	\$6.25	\$6.25
High-Strength Rate / HCF	\$6.08	\$7.24	\$8.62	\$10.26	\$12.21	\$12.21

The results of the analyses shown in **Figures 2 and 3** suggested a hybrid approach that combines both debt and pay-as-you-go financing. With this approach, bonds would be sold in late FY 2009-10 to allow the capital improvement program to continue. A 6.0% rate increase in FY 2009-10 followed by 12% annual increases would reach two-thirds of full funding for the capital improvement program by FY 2013-14 (see **Figure 4**). After two or three more years of 12% rate increases, the rates would be sufficient to fully fund capital improvement program on a pay-as-you-go basis (by approximately FY 2016-17) with no further need for bonds after 2010. During this transition period, capital projects would be delayed in diminishing amounts until full funding is reached.

**Figure 4. Hybrid Option – Cost Savings Plus Transition toward Pay-as-You-Go**

	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14
<i>Option 2 - Debt then PAYGO Transition</i>						
Increase in Rates		6.0%	12.0%	12.0%	12.0%	12.0%
Cumulative Increase		6.0%	18.7%	33.0%	48.9%	66.8%
Annual Account Charge	\$238.16	\$252.45	\$282.74	\$316.67	\$354.67	\$397.23
Low-Strength Rate / HCF	\$3.12	\$3.31	\$3.71	\$4.16	\$4.66	\$5.22
High-Strength Rate / HCF	\$6.08	\$6.44	\$7.21	\$8.08	\$9.05	\$10.14

Option 2 is reflected in the proposed rates shown in Attachment A to the Resolution, Option 2.

Sub-Committee and Commission Review

On March 4, 2009, the draft rate analysis results were presented to the Infrastructure Subcommittee. The Subcommittee recommended that information be posted on the Hot Topics section of the City’s web page if the Rate Analysis and subsequent Notice are approved. A review of restaurant and supermarket water usage was also requested, as water usage had increased significantly for these property types. Although there was an overall increase in flow for the restaurant class, some restaurants experienced flow reductions. The average flow per restaurant parcel went up significantly in part because there was an overall flow increase. The average flow per parcel also increased because three parcels went on standby status, thereby reducing the total number of parcels used to calculate the average. A draft action plan/schedule for the sewer charge increases was reviewed and the Subcommittee recommended the schedule be presented to Council for approval.

Proposed cost savings measures were evaluated and reviewed with the Infrastructure Subcommittee on March 30, 2009, and with the Finance Commission on April 2, 2009. The Infrastructure Subcommittee did not make a formal recommendation, but received the information. The Finance Commission recommends that City Council consider deferring the bond sale so that the first debt payment is in August 2010 and advises staff to review the built-in assumptions on rate and budget forecasting with special emphasis on discretionary spending and statutory increases. The review of discretionary spending and statutory increases is recommended for review during the budget cycle.

The analysis attached to this report defers the first bond sale so the first debt service payment is

not due until FY 2010-11, and delays the capital improvement program accordingly. The full extent of that delay will be reviewed with the budget. In addition, review of discretionary spending and statutory increases could be done during the budget review, if recommended by the City Council.

### Next Step

The staff report presents a recommendation and an alternative for City Council consideration for approval. A Cost Saving Option, Option 1 that provides cost savings measures through deferral of debt issuance was developed. The Cost Saving Option would provide the lowest rate increase in the first year and is recommended. In addition an alternative, a Hybrid Option, Option 2 that combine cost savings measures through deferral of debt issuance and beginning of a pay-as-you go capital funding program were developed. If the rate analysis is approved and Option 1 or Option 2 is approved the City would mail a notice and begin the public outreach process.

Charges for sewer service are property-related charges subject to Proposition 218. These charges need not be submitted to an election of voters or property owners, but they are subject to a majority protest proceeding. That process is summarized as follows: (i) an agency calculates a budget sufficient to cover the cost of service and determines how to spread that budget as rates across different kinds of customers (e.g., single-family, multi-family, non-residential), (ii) the agency provides 45 days mailed notice of a public hearing on the proposed new rates to every property owner or customer of record who will pay the new rates, (iii) the agency conducts the hearing and accepts written protests from property owners and customers of record, and (iv) the agency tallies the protests; if more than half of the affected property owners and customers of record protest the new rates in writing before the end of the hearing, the agency cannot impose the new rates; otherwise it may impose the rates at any level which does not exceed the rates stated in the notice. Majority protests under these rules are not common except when a very small number of ratepayers are involved. Accordingly, the primary consequences of this process are the delay and cost associated with the noticed hearing and the opportunity for public input on the decision.

Typically, the City conducts rate hearings earlier in the spring. However, the City of Belmont has been considering a new and separate Sewer Treatment Facility Charge to fund the South Bayside System Authority's Capital Improvement Program, and this resulted in the regular Sewer Rate Analysis completion being delayed.

If the City Council authorizes the notice, staff will reconvene to meet with the City Treasurer and City Clerk to review the Notice before it is mailed.

### **General Plan/Vision Statement**

There is no impact from this report. Maintenance of existing City's infrastructure is consistent with the City's goals and policies.

### **Fiscal Impact**

Approval of this action does not establish rates; however, should the City Council implement the rates shown in the Notice, the revenue received is projected to equal the projected revenue for

fiscal year 2009-10 of approximately \$5.9 million.

**Public Contact**

The Council agenda was posted.

**Recommendation**

It is recommended that Council (i) approve the Rate Analysis Report and addendum for option 1 and the Action Plan attached to this report and (ii) approve the authorizing resolution stating the City’s intentions to increase Sewer Rates effective fiscal year 2009-10 and scheduling the public hearing and propose the rate structure.

**Alternatives**

1. Take no action.
2. (i) approve the Rate Analysis Report and addendum, for option 2 and the Action Plan attached to this report and (ii) approve the authorizing resolution, with a substitute exhibit “A” reflecting option 2.
3. Refer back to staff for further information.

**Attachments**

- A. HF&H Report entitled Sewer Rate Update – FY 2009-10, dated March 19, 2009.
- B. HF&H Report Addendum entitled Sewer Rate Update – FY 2009-10, dated April 10, 2009.
  - a. Option 1, Cost Saving Option
  - b. Option 2, Hybrid Option
- C. Action Plan/Schedule
- D. Resolution Stating Its Intention to Increase Sewer Charge
  - a. Exhibit A, Proposed Rates (Option 1--Cost Saving Option)
  - b. Exhibit B, Guidelines for the Submission and Tabulation of Protests
- E. Alternative Exhibit A to Resolution (Option 2--Hybrid Capital Financing Option)

Respectfully submitted,

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City Engineer

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Thomas Fil  
Finance Director

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City Manager

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## ATTACHMENT C

### ACTION PLAN

#### Schedule for Annual Sewer Charge Increase Tax Year 2009-10

- |           |  |
|-----------|--|
| March 4   | Infrastructure Subcommittee Review of Draft Rate Analysis Report (HFH)   |
| March 5   | Preparation of Draft Authorizing Resolution (Mark Mandell)   |
| March 24  | Rate Analysis and Draft Resolution to City Council for discussion and direction and consideration of authorizing resolution at April 14 City Council meeting   |
| March 30  | Infrastructure Subcommittee Review   |
| April 2   | Finance Commission Review  |
| April 14  | City Council consideration of Resolution stating intent to increase charges. The Proposition 218 Notice would be authorized for mailing by adoption of (i) setting rules for tabulating protests, (ii) scheduling public hearing* and (iii)_proposing rate structure*. [Portions marked with * included principally for benefit of council/staff coordination, not legally required] |
| April 24  | Send 45 day Notice to Printer (Tim Seufert, NBS)   |
| April 30  | Mail 45 day Notices to property owners (Tim Seufert, NBS)  |
| April     | Track written and verbal responses from property owners, and prepare Response(s)   |
| April     | Meeting of City Council Infrastructure Subcommittee to discuss Rates and review Responses  |
| May 8     | Publish first notice of June 23 public hearing (Pam/City Clerk)  |
| May 15    | Publish second notice of June 23 public hearing 10 days prior to public hearing (Pam/City Clerk)   |
| June 23   | Public Hearing at City Council Meeting - (A) Public Hearing and Tally of Protests (B) Introduction (First Reading) of Ordinance increasing the City's Sewer Charge   |
| June 25   | File Rate Charge Report with City (NBS)  |
| July 14   | (A) Second Reading of Ordinance (B) Resolution of the City Council of the City of Belmont Confirming and Approving the Report of Sewer Charges for Tax Year 2009-10, directing the filing of charges for collection by the County Auditor. (consent)   |
| August 10 | Send new rates for all properties to County of San Mateo for Tax bill (NBS)  |
| August 14 | (30 days after introduction of ordinance) Rate Ordinance takes effect  |

**RESOLUTION NO. \_\_\_\_\_**

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF BELMONT  
STATING ITS INTENTION TO REVISE THE CITY'S SEWER CHARGES EFFECTIVE  
TAX YEAR 2009-10**

**WHEREAS**, the City of Belmont levies charges for sewer services pursuant to Section 21.93 of the Belmont Municipal Code and pursuant to Section 5470 *et seq.* of the California Health & Safety Code; and,

**WHEREAS**, the City Council desires to conduct proceedings to revise the rate and methodology for the sewer charges, to be effective beginning in the 2009-10 tax year.

**NOW, THEREFORE, BE IT RESOLVED** by the City Council of the City of Belmont that:

- Section 1. The foregoing recitals are all true and correct.
- Section 2. The City Council proposes the imposition of the rates and methodology generally described in Exhibit "A" to this Resolution, which is incorporated herein by reference.
- Section 3. On June 9, 2009, at 7:30 PM or as soon thereafter as may be practicable in the City Council Chambers located at One Twin Pines Lane, Belmont, CA, the City Council will hold a public hearing pursuant to Article XIID of the California Constitution with respect to the proposed rates. At this hearing, all interested persons will be permitted to present oral and written testimony with respect to the proposed rates and methodology.
- Section 4. The City Council further directs staff to give notice of the hearing in the manner required by law.
- Section 5. The City will accept and tabulate protests against the proposed rate revision pursuant to the procedures set forth in Exhibit "B" to this Resolution, which is incorporated herein by reference.

\* \* \* \* \*

I hereby certify that the foregoing Resolution was duly and regularly passed and adopted by the City Council of the City of Belmont at a regular meeting thereof held on April 14, 2009 by the following vote:

AYES, COUNCILMEMBERS: \_\_\_\_\_

NOES, COUNCILMEMBERS: \_\_\_\_\_

ABSTAIN, COUNCILMEMBERS: \_\_\_\_\_

ABSENT, COUNCILMEMBERS: \_\_\_\_\_

\_\_\_\_\_  
CLERK of the City of Belmont

APPROVED:

\_\_\_\_\_  
MAYOR of the City of Belmont

## ATTACHMENT D

### RESOLUTION EXHIBIT "A"

#### PROPOSED SEWER CHARGE RATE SCHEDULE

Each parcel's sewer charge will be the sum of a Base Charge and a Flow Charge.

#### **Base Charge**

- Residential Customers (single-family and multi-family):  
\$250.07 per dwelling unit per year
- Non-Residential Customers:  
\$250.07 per parcel per year

#### **Flow Charge**

- Residential and most Non-Residential Customers:  
\$3.28 per hundred cubic feet of estimated annualized wastewater discharge
- "High-Strength" Non-Residential Customers (supermarkets with grinders and restaurants with on-site food preparation):  
\$6.38 per hundred cubic feet of estimated annualized wastewater discharge

## ATTACHMENT D

### RESOLUTION EXHIBIT “B”

#### GUIDELINES FOR THE SUBMISSION AND TABULATION OF PROTESTS

##### Submission of Protests

1. Any property owner may submit a written protest to the City Clerk, either by delivery to the office of the City Clerk or by submitting the protest at the public hearing. Protests must be received by the end of the public hearing. No postmarks will be accepted.
2. Each protest must identify the affected property (by assessor’s parcel number or street address) and include the signature of the record property owner. Email protests cannot be accepted. Although oral comments at the public hearing will not qualify as a formal protest unless accompanied by a written protest, the City Council welcomes input from the community during the public hearing on the proposed charges.
3. If a parcel served by the City is owned by more than a single record owner, each owner may submit a protest, but only one protest will be counted per parcel and any one protest submitted in accordance with these rules will be sufficient to count as a protest for that property.
4. In order to be valid a protest must bear the original signature of the record owner with respect to the property identified on the protest. Protests not bearing the original signature of a record owner shall not be counted.
5. Any person who submits a protest may withdraw it by submitting to the City Clerk a writing request that the protest be withdrawn. The withdrawal of a protest shall contain sufficient information to identify the affected parcel and the name of the record owner or record customer who submitted both the protest and the request that it be withdrawn.
6. A charge protest proceeding is not an election.
7. To ensure transparency and accountability in the charge protest tabulation, protests shall constitute disclosable public records from and after the time they are received.

##### Tabulation of Protests

1. The City Clerk shall determine the validity of all protests. The City Clerk shall not accept as valid any protest if the City Clerk determines that any of the following conditions exist:
  - a. The protest does not identify a property served by the City.
  - b. The protest does not bear an original signature of a record owner of the parcel identified on the protest.
  - c. The protest does not state its opposition to the proposed charges.
  - d. The protest was not received by the City Clerk before the close of the public hearing on the proposed charges.
  - e. A request to withdraw the protest is received prior to the close of the public hearing on the proposed charges.
2. The City Clerk’s decision that a protest is not valid or does not apply to a specific charge shall constitute a final action of the City and shall not be subject to any internal appeal.

3. A majority protest exists if written protests are timely submitted and not withdrawn by the record owners of a majority of the properties subject to the proposed charge.
4. At the conclusion of the public hearing, the City Clerk shall complete the tabulation of all protests received, including those received during the public hearing and shall report the results of the tabulation to the City Council upon completion. If review of the protests received demonstrates that the number received is manifestly less than one-half of the parcels served by the City with respect to the charge which is the subject of the protest, then the Clerk may advise the City Council of the absence of a majority protest without determining the validity of all protests.

ATTACHMENT E

RESOLUTION EXHIBIT "A"

PROPOSED SEWER CHARGE RATE SCHEDULE

Each parcel's sewer charge will be the sum of a Base Charge and a Flow Charge.

**Base Charge**

- Residential Customers (single-family and multi-family):  
\$252.45 per dwelling unit per year
- Non-Residential Customers:  
\$252.45 per parcel per year

**Flow Charge**

- Residential and most Non-Residential Customers:  
\$3.31 per hundred cubic feet of estimated annualized wastewater discharge
- "High-Strength" Non-Residential Customers (supermarkets with grinders and restaurants with on-site food preparation):  
\$6.44 per hundred cubic feet of estimated annualized wastewater discharge

## ATTACHMENT A



### HF&H CONSULTANTS, LLC

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Municipal Management

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March 19, 2009

City Council  
City of Belmont  
One Twin Pines Lane  
Belmont, CA 94002

Subject: **Sewer Rate Update – FY 2009-10**

Honorable City Council Members:

Nine years ago, HF&H Consultants, LLC (HF&H) first prepared a financial plan and rate model for the City's sewer services. Since that time, we have annually updated sewer rates working closely with City Staff and legal counsel. The purpose of this letter report is to summarize the update for FY 2009-10, which includes a projection through FY 2013-14. The report contains the following sections:

1. Background
2. Revenue Requirement Projections
3. Projected Rates and Bills
4. Implementation Issues
5. Findings and Recommendations

This report briefly describes our analysis, which led to our recommendation that the City increase its sewer service charges 9.0% effective in FY 2009-10.

### **1. Background**

As part of our initial work nine years ago, we converted the residential rates from flat to flow-based rates. Charges for each customer were determined by multiplying the customer's monthly average winter water use times a charge per unit (hundred cubic feet or HCF) of water use; customers whose water use was less than half the average for the customer class were subject to a minimum charge instead of the flow-based charge.

At that time, the decision was made to combine the sewer and stormwater funds for modeling rates because of the hydraulic relationship between sanitary and storm sewers. An analysis conducted with the FY 2007-08 rate update confirmed that the portion of sewer rate revenue that is used to fund stormwater costs is only that portion of the stormwater costs that are related to reducing inflow and infiltration (I&I) of runoff into the sanitary sewers. Sewer customers are better served by funding stormwater improvements that reduce I&I than by funding more costly improvements to the SBSA treatment plant to treat runoff.

During the time that the City has been restructuring its rates, expenditures have increased above inflationary rates. The most significant cost increases have been SBSA's operating and capital costs for treatment and the City's capital improvement program. SBSA's operating cost increases are covered by increasing the City's revenue from its local sewer service charges. SBSA's capital costs for renovating its facilities are planned to be funded through a new sewer treatment facility charge. The City Council recently directed City Staff to mail notices to rate payers as part of the Proposition 218 notification process. Unless a majority of rate payers protest, this new SBSA charge can be placed on this year's property tax rolls with City Council.

Funding the City's capital improvements has resulted in the need to issue bonds twice, with a third issue on the way; the debt service has been funded out of rate revenue. Recent rate increase history is summarized in **Figure 1**.

**Figure 1. Historical Rate Increases by Fiscal Year**

2000-01	5.0%
2001-02	6.0%
2002-03	8.0%
2003-04	12.0%
2004-05	16.0%
2005-06	16.0%
2006-07	13.0%
2007-08	0.0%
2008-09	8.5%

These rate increases were determined using a financial model (a copy of the current model is included at the end of this report) that forecasts expenses, revenues, and reserve fund balances. In the model, revenue from rates is compared with the revenue requirement (i.e., projected O&M and capital expenses as well as transfers to and from

reserves) to determine rate adjustments over the five-year projection period. These rate adjustments are moderated using reserves. Specific targets were set for these reserve funds so that adequate funds are maintained for working capital, capital improvements, and other ongoing liabilities.

Even with these rate increases, the sewer reserves have tended to fall below the target balances because of the difference between estimated and actual water use. When the rates were purely flow-based, the Sewer Enterprise was susceptible to revenue shortfalls caused by water use that is less than the amount used in calculating rates. To remedy this problem, the Council directed staff in 2007 to explore alternative sewer rate structures that would improve the reliability of revenue projections without compromising the equity in the rate structure. A structure was selected with fixed and volumetric components. This structure allows for fixed costs to be covered regardless of changes in water consumption, yet still allows differences between rate payers in their individual sewer water use to be reflected in the volumetric charge.

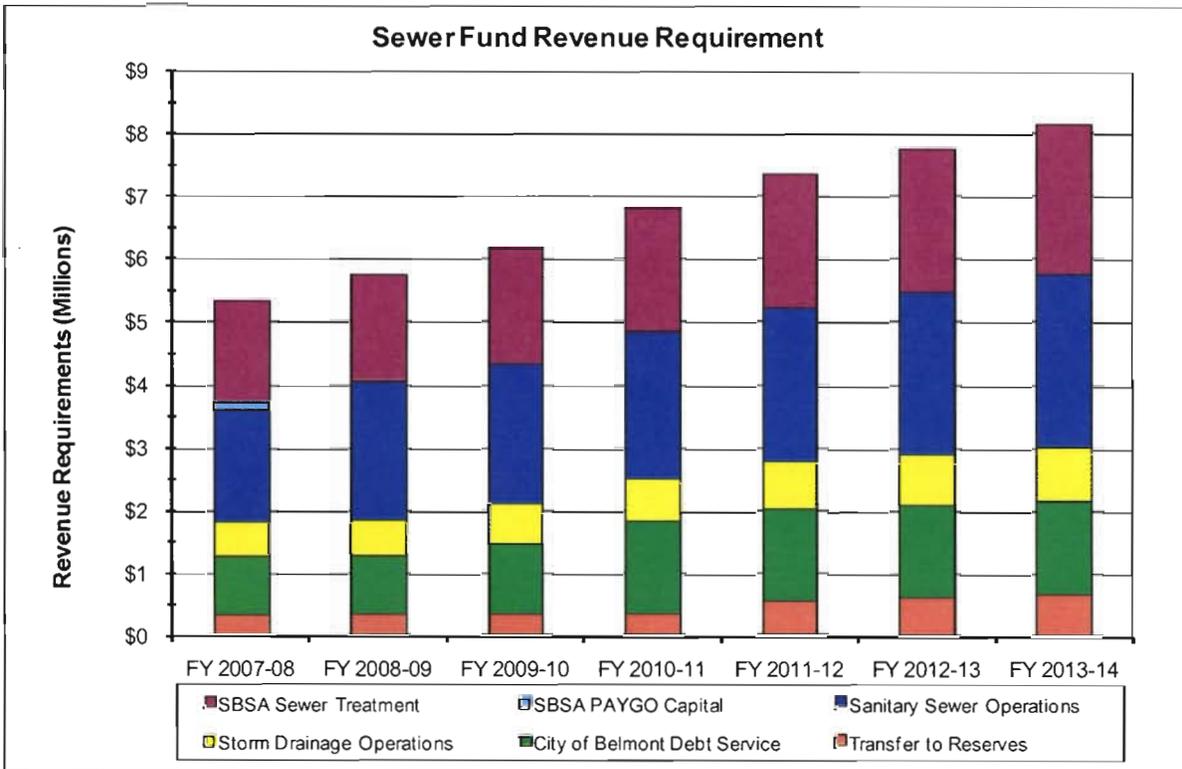
## **2. Revenue Requirement Projections**

The revenue requirement projections were developed by escalating the operating and capital budgets for FY 2008-09. Revenue requirements were projected through FY 2013-14 as shown in **Figure 2**. Note that the debt service costs associated with Belmont's share of SBSA's planned renovation of its pumping, conveyance, and treatment facilities are not included in these projections. Instead, it is planned that a new, additional sewer treatment facility charge will be adopted by Belmont. The adoption process for the new sewer facility treatment charge is currently underway.

**Figure 2** depicts relatively gradual increases in the major expense categories from last year, FY 2007-08, through five years into the future in FY 2013-14. The following is noteworthy about the projected revenue requirements:

- **Sanitary Sewer Operations** – This is the largest category of expense and includes personnel, supplies, services, and administrative costs. This category is projected to increase 3.4% to 6.3% annually, which somewhat exceeds current inflation rates.
- **SBSA Sewage Treatment** – This is the second largest component and is based on SBSA's cost allocation to the City. The projections escalate the current amount at 6% to 8% per year. These costs do not include the proposed upgrades to SBSA's facilities (described below and in Sections 4 and 5).

Figure 2. Revenue Requirement Projections



- City of Belmont Debt service** - Debt service for the sanitary and storm facilities is the third largest expense category. The current debt service reflects the City's 2001 and 2006 revenue bonds. The proceeds from the 2006 revenue bonds are projected to be spent by FY 2008-09. To support the continued progress of necessary capital improvements, additional revenue bonds of approximately \$8,550,000 will be required. It is expected that these bonds would be issued in mid-FY 2009-10. It is also expected that additional bonds will be called for by FY 2013-14.
- Storm Drainage Operations** - Funded stormwater drainage operations are limited to programs designed to reduce costs associated with inflow and infiltration to the sanitary sewer system.
- Transfer to Reserves** - These transfers are made to achieve and maintain the target balances for the Operating and Capital reserves. The targets have been previously approved by the City Council to ensure sufficient funds are available to cover month-to-month cash flow. The transfers increase beginning in FY 2012-13 as funding becomes available to restore and maintain capital reserves.

Rates are set to cover not only ongoing operating and capital costs but also to maintain adequate reserves. Three reserves have been funded from rates:

- **Operating Reserve (Fund 501).** The minimum balance for the Operating Reserve is 75% of net operating expenses. This target is based on the fact that there is up to a six-month lag between when the City incurs expenses and when it receives payments from the County tax assessor's office. Without this minimum balance, month-to-month operating cash flow could be jeopardized, requiring a loan from the General Fund.
- **Capital Reserve (Fund 503).** The target balance for the Capital Reserve equals 50% of the average annual capital improvements over the six years shown in Table 5 in the model. With this target balance, there are sufficient funds (including bond proceeds) projected to fund construction until FY 2008-09. If the City were to issue more bonds as planned in FY 2009-10, the current target balance would still be appropriate. However, if the City were to consider converting from pay-as-you-use debt financing to pay-as-you-go cash financing, the target balance would be too low and should be reevaluated.
- **Rate Stabilization Reserve.** A Rate Stabilization Reserve was recently created to bolster the Sewer Fund's financial position. However, funding the Rate Stabilization Reserve is problematic. Because of the fiscal pressure on rates to fund essential services, it is unlikely that rates can also be increased slightly to fund the Rate Stabilization Reserve. As a result, the Rate Stabilization Reserve will be put on hold and not funded at this time.

Rates and revenue from rate increases are forecasted for the next rate year, FY 2009-10, through FY 2013-14. In this way, rates are set for the upcoming year within the context of a longer planning horizon. **Figure 3** indicates the annual projected revenue requirements (net of sources of non-rate revenue), fund balances, rate increases, changes in water use and number of sewer units, and revenue from rates (including rate increases). The 9.0% rate increase projected for FY 2009-10 is consistent with last year's projection. However, as a result of reduced average winter water use, a 9.0% rate increase will only yield a 6.7% increase in rate revenue.

Going forward, slight growth is projected for both water demand and sewer units (i.e., customer accounts). As a result of the contribution from growth, the revenue from rate increases is projected to be slightly greater than the rate increase percentages. Hence, it is projected that in FY 2010-11, a 9.5% rate increase will yield 10.0% more rate revenue because of the growth in water demand and sewer accounts.

**Figure 3. Financial Projections**

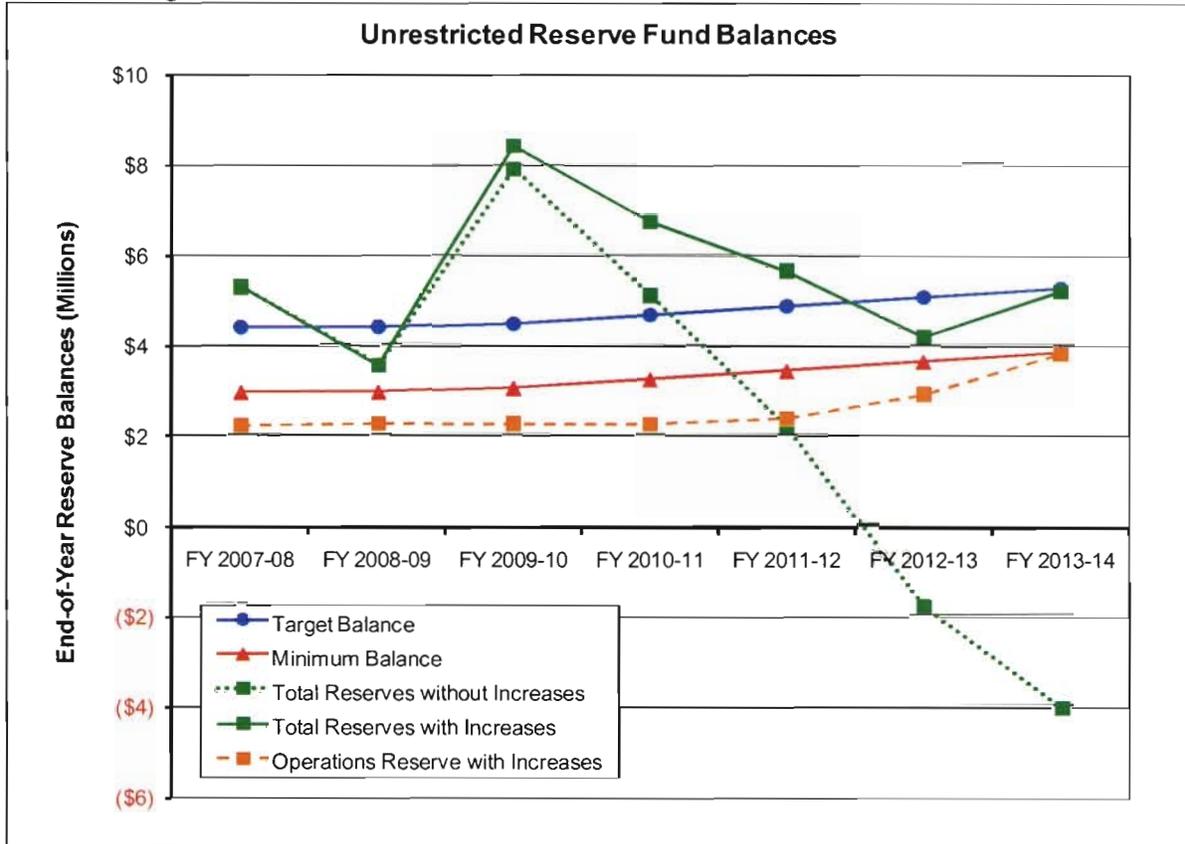
	Actual FY 2007-08	Budget FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14
Revenue Requirements	\$5,280,516	\$5,747,284	\$6,157,359	\$6,806,111	\$7,332,120	\$7,726,372	\$8,119,896
Revenue from Rates	\$5,400,917	\$5,718,364	\$6,101,033	\$6,714,075	\$7,407,154	\$8,171,778	\$8,910,766
Total Fund Balance	\$5,274,626	\$3,538,566	\$8,420,150	\$6,747,881	\$5,651,350	\$4,185,288	\$5,185,894
Rate Increase	0.0%	8.5%	9.0%	9.5%	9.5%	9.5%	8.5%
Change in Water Demand			-3.85%	0.50%	0.75%	0.75%	0.50%
Change in Sewer Units			0.00%	0.50%	0.75%	0.75%	0.50%
Revenue Increase		5.9%	6.7%	10.0%	10.3%	10.3%	9.0%

**Figure 4** shows the difference in the Fund balance with and without the projected increases in rate revenue. The Fund balance climbs steeply in FY 2009-10 because of the addition of \$8 million in bond proceeds, without which the Fund balance would drop farther below the target balance. If the City were to convert to pay-as-you-go financing, substantially larger rate increases would be required or the capital improvement program would have to be scaled back further.

**Figure 4** shows that the Operations Reserve is consistently below the minimum balance established for the reserve (i.e., 75% of each year's net operating expense) for all but the last year of the five-year planning period. As a consequence, capital reserves may be needed to supplement the Operations Reserve until the minimum balance is achieved. This is not an optimal financial position, particularly in view of the fact that a portion of the capital reserves is derived from bond proceeds. However, the projections show that the condition is controlled and eventually eliminated.

**Figure 4** also shows the steep decline in the Fund balance if expenditures were to continue without the recommended rate increases. Although the City would not allow this to occur, the decline of the dashed line indicates how critical it is to increase rates if the projected level of expenditures is to be funded.

Figure 4. Fund Balance With and Without Increased Rate Revenue



### 3. Projected Rates and Bills

Both the fixed and volumetric components of the rate structure need to be increased to generate the additional revenue required in FY 2009-10. The 9.0% rate increase that was projected last year for FY 2009-10 did not foretell the 3.8% reduction in water demand that occurred. Because of the reduced water demand, a 9.0% rate increase generates only 6.7% more revenue, which is a reduction of about \$130,000.

The revenue lost because of lower water demand could be made up with either (1) a larger rate increase than 9.0%, (2) a reduction in expenses, or (3) a reduction in reserves, all three of which raise policy issues. Considerations that weigh on this policy decision are (1) it is desirable to increase rates as little as possible, (2) it may be difficult to trim expenses by this amount, and (3) the reserves are already at low levels.

In discussions with City staff, it was concluded that the prior year's 9.0% projected rate increase should be followed. This would avoid a higher rate increase but calls for cost reductions or deferrals. Costs will be somewhat lower in FY 2008-09 because the planned debt issuance in late FY 2008-09 will be delayed to mid-FY 2009-10. An additional reduction in capital projects that would have been funded from the latest bonds can be delayed to FY 2009-10, although the capital reserve will be further drawn down to fund these projects until the bond is issued. Ideally, a 10% rate increase that would yield closer to 8% more revenue would be implemented; though it is possible to accommodate only a 9.0% rate increase.

**Figure 5** compares the current and projected rates, average annual consumption per customer class,<sup>1</sup> and average annual bills for FY 2008-09 with FY 2009-10. The fixed and volumetric charges for FY 2009-10 are 9.0% higher than the FY 2008-09 charges. The changes in average annual bills for each customer class show that overall water demand decreased 3.76% but varied from as much as an 83.48% decrease for other non-residential parcels<sup>2</sup> to a 48.36% increase for restaurants.<sup>3</sup> The changes in annual bills reflect the changes in average annual consumption; the overall increase is 6.65% with a wide range of increases and decreases. For single-family residential customers, the average bill will increase \$34.47 per year or \$2.87 per month.

The average annual bills in **Figure 5** are shown for illustrative purposes. In practice, the annual bills are calculated for each customer based on the customer's metered water use for the December through March period from two years prior.<sup>4</sup> Customers who reduced their water use will pay lower bills than they would have had they not conserved.

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<sup>1</sup> Average annual consumption is calculated using metered water use for the December through March period, which is when irrigation is at its lowest. Average winter water use is then annualized by multiplying average water use for the four winter months times three.

<sup>2</sup> This is apparently due to reclassifications by the County of customers in this class to other classes.

<sup>3</sup> A review of individual restaurant parcels indicates both increases and decreases in water demand; three parcels with no flow were reclassified to standby status. Supermarket water demand was generally greater for most parcels.

<sup>4</sup> In order to comply with Proposition 218, there is insufficient time to obtain water use data from the most recent winter, calculate rates, notify customers, hold the majority protest hearing, adopt rates, and submit the bills to the tax assessor by August 10. To allow more time for the rate analysis and notification process, water use from the prior winter (two years prior to August 10) is used.

**Figure 5. Rates, Average Consumption and Average Bills**

Customer Classes	FY 2008-09				FY 2009-10				% Change in Avg. Cons.	% Change in Avg. Bill	\$ Change in Avg. Bill
	Fixed Charge per Unit	Volumetric Charge per HCF	Avg. Annual Consump- tion, HCF	Average Annual Bill	Fixed Charge per Unit	Volumetric Charge per HCF	Avg. Annual Consump- tion, HCF	Average Annual Bill			
<b>Low-strength residential</b>											
Single family	\$238.16	\$3.12	85.06	\$503.55	\$259.59	\$3.40	81.89	\$538.02	-3.73%	6.85%	\$34.47
2-4 units	\$238.16	\$3.12	137.93	\$948.57	\$259.59	\$3.40	141.40	\$1,084.55	2.52%	14.33%	\$135.98
Five or more units	\$238.16	\$3.12	1,274.43	\$9,091.23	\$259.59	\$3.40	1,274.86	\$9,793.82	0.03%	7.73%	\$702.59
Residential Condominium	\$238.16	\$3.12	68.47	\$451.79	\$259.59	\$3.40	63.92	\$476.92	-6.65%	5.56%	\$25.13
<b>Low-strength non-residential</b>											
Hotel/boarding house	\$238.16	\$3.12	3,658.76	\$11,653.49	\$259.59	\$3.40	3,053.28	\$10,640.74	-16.55%	-8.69%	(\$1,012.75)
Store/office/shopping center	\$238.16	\$3.12	528.55	\$1,887.24	\$259.59	\$3.40	433.11	\$1,732.16	-18.06%	-8.22%	(\$155.07)
Other commercial	\$238.16	\$3.12	187.82	\$824.16	\$259.59	\$3.40	193.22	\$916.54	2.88%	11.21%	\$92.38
Institutional	\$238.16	\$3.12	1,957.12	\$6,344.37	\$259.59	\$3.40	1,948.11	\$6,883.16	-0.46%	8.49%	\$538.79
Other parcels	\$238.16	\$3.12	299.19	\$1,171.63	\$259.59	\$3.40	49.42	\$427.62	-83.48%	-63.50%	(\$744.01)
<b>High-strength commercial</b>											
Restaurant <sup>1</sup>	\$238.16	\$6.08	453.58	\$2,995.93	\$259.59	\$6.63	672.94	\$4,721.18	48.36%	57.59%	\$1,725.26
Supermarket <sup>2</sup>	\$238.16	\$6.08	1,989.55	\$12,334.62	\$259.59	\$6.63	2,656.49	\$17,872.12	33.52%	44.89%	\$5,537.49
<b>Total</b>			<b>128.87</b>	<b>\$749.21</b>			<b>124.03</b>	<b>\$799.00</b>	<b>-3.76%</b>	<b>6.65%</b>	<b>\$49.79</b>

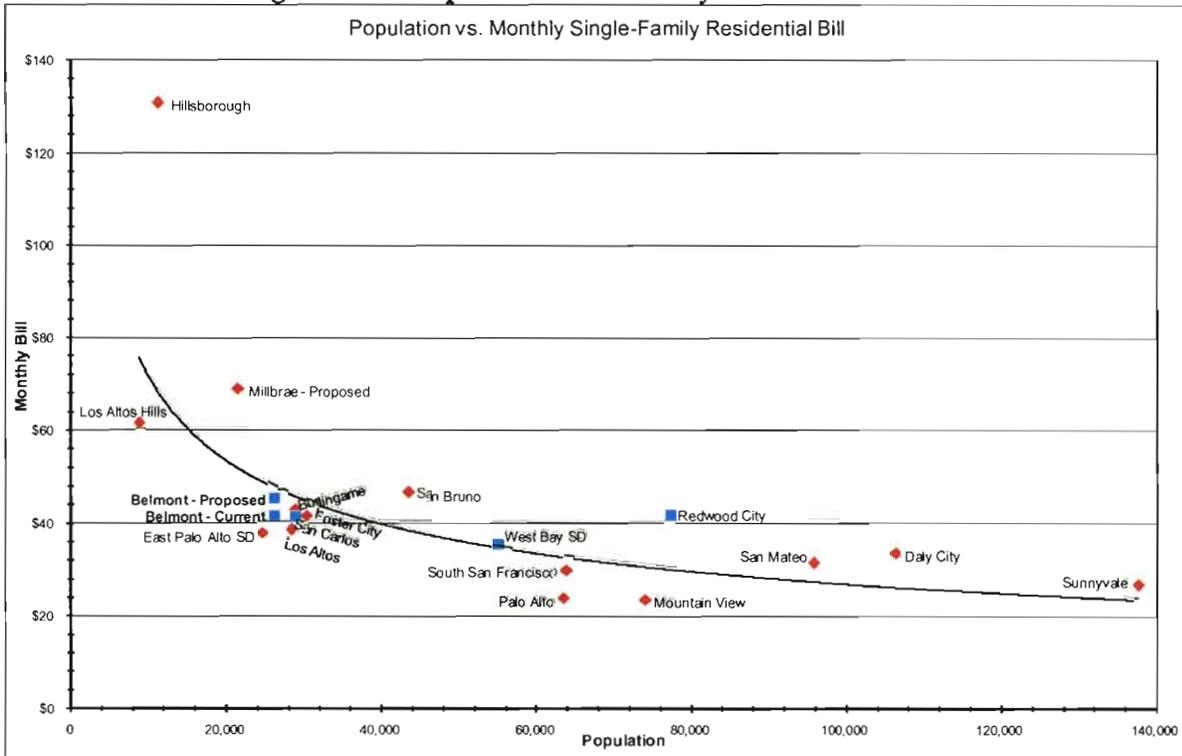
<sup>1</sup> Food prepared on premises.  
<sup>2</sup> With grinders.  
 Unit - number of units per parcel is specified on the property tax rolls.  
 HCF - hundred cubic feet of water use from MPWD meter readings during winter, then annualized.  
 Non-metered parcels shall be charged a standby fee not greater than \$20.45 per month (\$245.40 annually) per parcel as authorized by Ordinance 907, dated July 9, 1996.

Figure 6 shows how the projected monthly bill for Belmont’s single-family residential customers compares with neighboring communities. The bills are plotted against the population served in each community. Because of Belmont’s comparatively smaller size, it has somewhat higher rates, but its rates are below the trend line. SBSA member agencies are denoted by a blue square. Other Peninsula and nearby Silicon Valley agencies are denoted by red diamonds.

**4. Implementation Issues**

The adopted rates will be placed on the tax rolls for FY 2009-10. Under Proposition 218, Belmont can adopt multi-year increases for up to five years with a single notification to rate payers. The City could adopt multi-year increases for years beyond FY 2009-10 based on the rate increases shown in Figure 3. Those rate increase percentages could be applied each year across-the-board to the prior year’s rates and would generate the projected revenue *if average winter water demand stays constant*. Any change in demand, however, will affect how much revenue is generated. As demonstrated by FY 2009-10, the reduced demand (from FY 2007-08) results in less revenue than otherwise would have been received if the demand had not dropped.

Figure 6. Comparison of Monthly Residential Bills



In the future, demand is not expected to vary significantly and may even increase slightly, unless the sequence of dry years persists and water conservation holds down water demand. Nonetheless, adopting multi-year increases exposes Belmont to unpredictable fluctuations in demand (not to mention fluctuations in expenses, which can be controlled to a certain extent by the City). In the face of this exposure, the Council would have the option each year to adopt no more than the noticed increase. A new notification would be required if larger increases were needed than originally noticed.

When multi-year rate increases are adopted, we advise our clients to make a determination each year confirming the adequacy of the rate increase prior to placing the new charges on the tax roll of. At that time, the Council could stick with the previously approved rate increase, adopt a lower increase if possible, or increase rates, in which case the procedural requirements of Proposition 218 would be followed (i.e., mailed notices to rate payers, 45-day majority protest period, protest hearing).

In Belmont's case, there may be no harm in adopting multi-year increases, recognizing that water demand variations and other factors make for uncertain projections. Such

factors include (1) low reserves that are trending downward, (2) the planned issuance of bonds at year-end 2009, and (3) potential continued low water demand in response to water conservation and economic conditions. If the projections do not hold true and higher rates are needed, the City can proceed with another Proposition 218 process.

The uncertainty posed by fluctuations in water demand or inflationary cost increases is moderated by some agencies by employing a rate-making technique called "indexing." With indexing, rates are adjusted to maintain revenue neutrality without mailing notification to rate payers under Proposition 218. Indexing for inflationary costs is limited to five years under recently passed legislation, AB 3030, after which the majority protest process called for under Proposition 218 should be followed.

Another minor, unrelated detail concerns the fact that Belmont's sewer rates are charged to all parcels within the City limits, including a very small number of parcels that are not tributary to SBSA's treatment facilities. In a small number of cases, parcels are, instead, tributary to other treatment facilities, the cost of whose treatment is billed to the City of Belmont. This commonly occurs along the perimeter of cities, where some customers may be partially served by a neighboring city's facilities. Analysis indicated that the difference in cost between Belmont's treatment cost and the neighboring city's cost was immaterial, and, hence, Belmont should continue to charge all parcels the same.

## **5. Findings and Recommendations**

The following briefly summarizes our findings and recommendations for setting rates for FY 2009-10:

1. **Revenue Increase.** The need for additional revenue is the result of a combination of operating cost increases that are greater than inflation and the planned sale of \$8.55 million in revenue bonds in mid-FY 2009-10.
2. **FY 2009-10 Rate Increase.** The recommended 9.0% rate increase will only yield a 6.7% increase in revenue because of a 3.8% decrease in average winter water use. A 9.0% rate increase is consistent with last year's projection but does not fully fund next year's operating and capital costs. As a consequence, reserves will drop to absorb the \$130,000 revenue reduction.
3. **Operating Reserves.** The overall reserve balance is trending down and is projected to drop below the target balance by the end of FY 2008-09. The Operating Reserve is currently funded below its minimum target balance, and is not projected to meet this target until FY 2013-14.
4. **Capital Reserves.** Because of the delay in the issuance of bonds until the end of calendar year 2009, instead of the Spring of 2009, the Capital Reserve cannot fund all

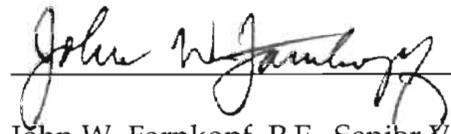
of the planned capital projects for FY 2008-09. Therefore, we have modeled a delay of \$700,000 worth of projects until FY 2009-10. Once bonds are sold, the Capital Reserve will be able to pay for all planned projects for the next several years.

5. **Multi-Year Rate Increases.** If the City adopts rate increases for more than FY 2009-10 at this time, we recommend that it annually conduct a review of the Sewer Fund's financial position prior to adopting each year's rates. The review can validate the previously approved rate increase, recommend a lower rate increase if possible, index the rates up based on water demand or inflation rates, or increase rates greater than indexed amounts in compliance with Proposition 218. Prior to adopting a multi-year rate increase strategy, the City should consult with legal counsel for guidance on compliance with Proposition 218.
6. **Charges on Tax Rolls.** Last year, the new fixed and volumetric charges were placed on the tax rolls as separate charges. We recommend that the City consider consolidating these two charges into a single charge so that Belmont's local sewer system charge is distinct from the new SBSA sewer treatment facility charge that is proposed to be added to the tax rolls for the first time this year. Rate payers will also save \$1.25 per tax bill.

We greatly appreciate this opportunity to assist the City with its sewer rates.

Very truly yours,

HF&H CONSULTANTS, LLC

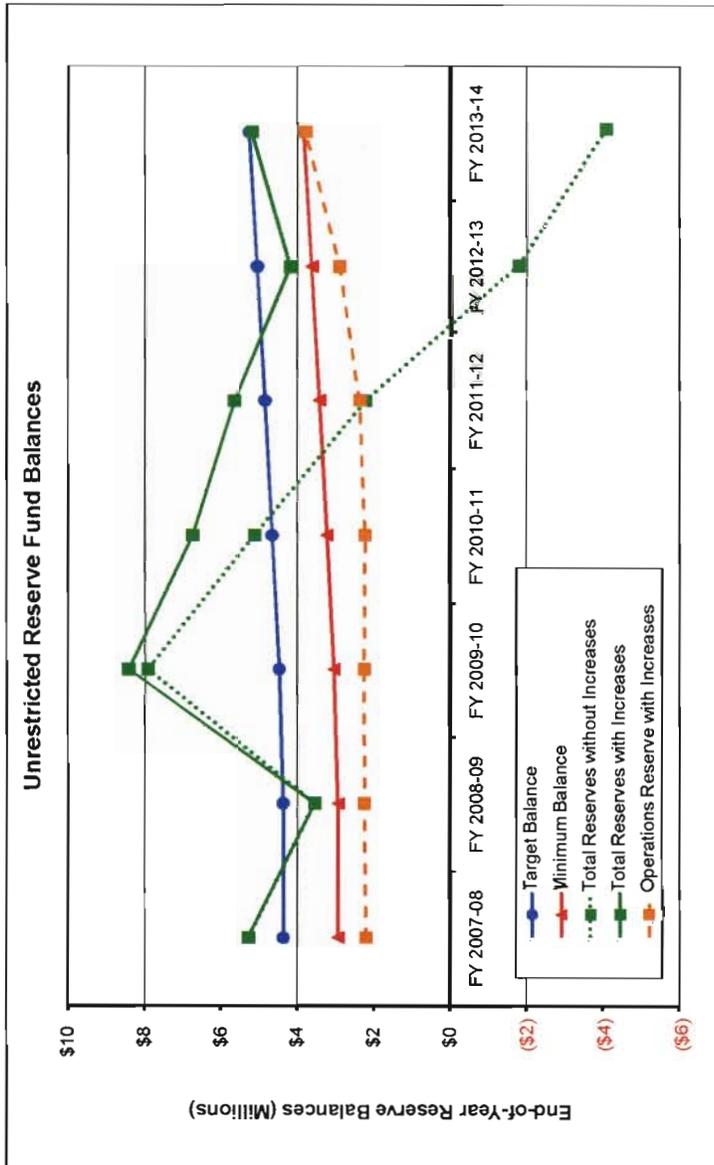


John W. Farnkopf, P.E., Senior Vice President  
Edmund C. Jones, Senior Associate

Attachments:

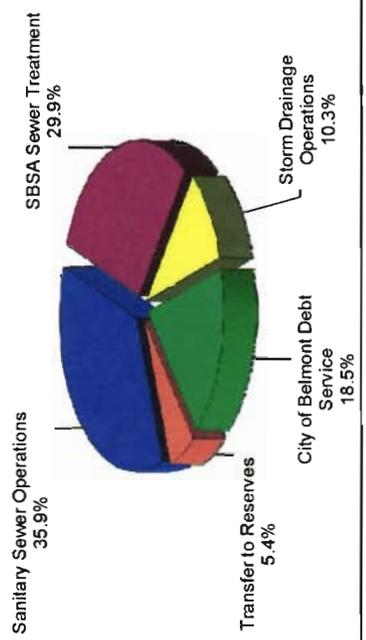
- Table 1A. Summary
- Table 1B. General
- Table 2A. Sewer Revenue Requirements (Fund 501)
- Table 2B. Storm Drainage Revenue Requirements (Fund 525)
- Table 3. Revenue Increases
- Table 4. Reserves
- Table 5. Capital Improvement Projects
- Table 6. Debt Service and Debt Coverage
- Table 7. Single-Family Rate Comparison

	A	B	C	D	E	F	G	H	I
1	<b>City of Belmont</b>								
2	<b>Sewer Rate Study - FY 2009-10</b>								
3	<b>Table 1A. Summary</b>								
4									
5									
6	<b>Increase in Rates</b>	<b>FY 2007-08</b>	<b>FY 2008-09</b>	<b>FY 2009-10</b>	<b>FY 2010-11</b>	<b>FY 2011-12</b>	<b>FY 2012-13</b>	<b>FY 2013-14</b>	<b>Notes</b>
7	Change in total revenue	0%	8.5%	9.0%	9.5%	9.5%	9.5%	8.5%	To Tables 3, 4, & 14
8			5.9%	6.7%	10.0%	10.3%	10.3%	9.0%	From Table 3
9	<b>Debt Coverage Ratio</b>	1.91	1.46	1.52	1.41	1.64	1.93	2.21	From Table 6
10									
11	<b>Projected Rates</b>								
12	Annual Account Charge		\$238.16	\$259.59	\$284.25	\$311.25	\$340.82	\$369.79	
13	Low-Strength Flow Rate per HCF		\$3.12	\$3.40	\$3.72	\$4.07	\$4.46	\$4.84	
14	High-Strength Flow Rate per HCF		\$6.08	\$6.63	\$7.26	\$7.95	\$8.71	\$9.45	
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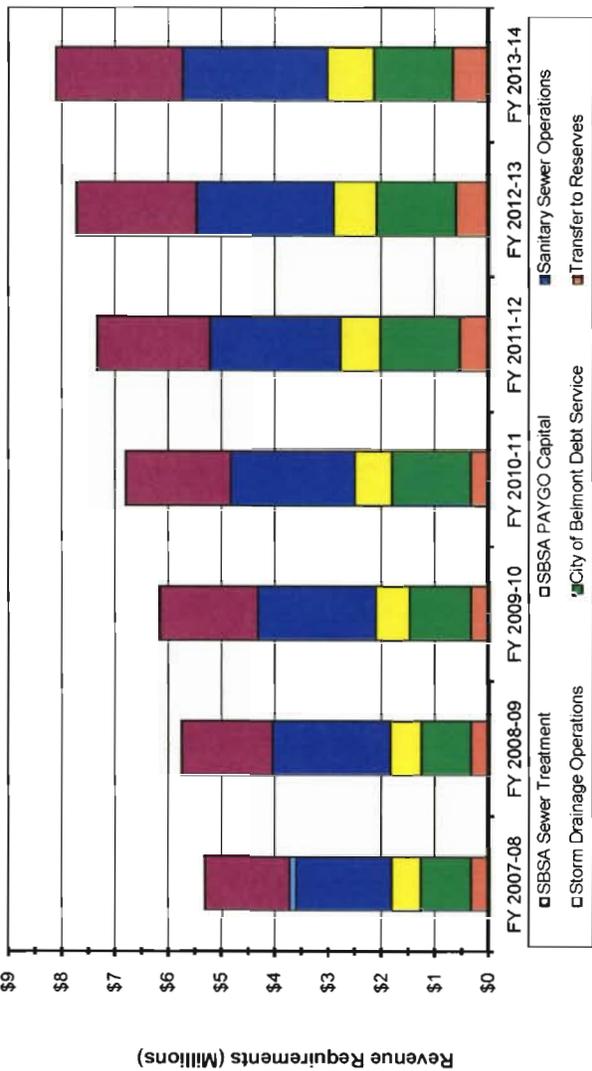


1 City of Belmont  
 2 Sewer Rate Study - FY 2009-10  
 3 Table 1A. Summary  
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**Sewer Fund Expenses, FY 2009-10**



**Sewer Fund Revenue Requirement**



	A	B	C	D	E	F	G	H	I
1	City of Belmont								
2	Sewer Rate Study - FY 2009-10								
3	Table 1B. General								
4									
5	Inflation Factors/Assumptions								
6	(1) General Inflation								
7	(2) Personnel Cost Increases								
8	(3) Benefits and Pension Cost Increases								
9	(4) Energy Cost Increases								
10	(5) Interest on Earnings								
11	(6) % Growth in Sewer Units								
12	(7) Minimum Operating Reserve as % of Net Op Ex								
13	(8) SBSA Wastewater Treatment								
14	(9) Construction Cost Inflation								
15	(10) San Mateo Sewer Service Charge Increases								
16	(11) % Change in Water Consumption								
17									
18	Table Index								
19	Table 1A. Summary								
20	Table 1B. General								
21	Table 2A. Sewer Revenue Requirements (Fund 501, Divisions 3101, 3102)								
22	Table 2B. Storm Drainage Revenue Requirements (Fund 525, Divisions 3103, 3104, 4315)								
23	Table 3. Revenue Increases (Fund 501)								
24	Table 4. Reserves								
25	Table 5. Capital Improvement Projects								
26	Table 6. Debt Service and Debt Coverage								
27	Table 7. Single-Family Rate Comparison								
28	Table 8. Report Tables								
29									
30									

	Adopted	Projected				Notes	
	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14	
		4.0%	4.0%	4.0%	4.5%	5.0%	To Tables 2A and 2B
		4.0%	4.0%	4.0%	4.0%	4.0%	To Tables 2A and 2B
		5.0%	7.5%	7.5%	5.0%	5.0%	To Tables 2A and 2B
		4.0%	4.0%	4.0%	4.0%	4.0%	To Tables 2A and 2B
	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	To Table 4, matches Sewer Treatment Charge model
	0.00%	0.50%	0.75%	0.75%	0.75%	0.50%	From City, To Tables 2A, 2B, 3, 4
	75%	75%	75%	75%	75%	75%	To Table 4
		8.00%	7.50%	7.00%	6.50%	6.00%	From City; To Table 2A
			2.00%	2.75%	3.62%	3.62%	ENR Construction Cost Index, SF Metro, 5-year avg
		8.0%	8.0%	8.0%	8.0%	8.0%	NBS in conference w/City of San Mateo; To Table 2A
		-3.85%	0.50%	0.75%	0.75%	0.50%	FY 09-10 actual, then equal to unit growth; To Table 3

Input Key	
City of Belmont assumptions	
Enter from City budget	
Enter beginning Enterprise Fund available cash balances	
Manually adjust to balance to target balances	
Enter from NBS parcel data	
Enter from City loadings data	

A	B	C	D	E	F	G	H	I	J	K	L
City of Belmont											
Sewer Rate Study - FY 2009-10											
Table 2A. Sewer Revenue Requirements (Fund 501, Divisions 3101, 3102)											
Table 1B											
Factor											
Adopted											
Actual											
FY 2007-08											
FY 2008-09											
FY 2009-10											
FY 2010-11											
FY 2011-12											
FY 2012-13											
FY 2013-14											
Notes											
6	<b>Operating Expenses</b>										
7	<b>Personnel</b>										
8	8101-19	Salaries	(2)	\$649,381	\$739,995	\$769,595	\$800,378	\$832,393	\$865,689	\$900,317	
9	8211	PERS Retirement	(3)	\$79,225	\$83,992	\$88,087	\$94,693	\$101,796	\$106,885	\$112,230	
10	8221-42	FICA/Health/Dental/Life/Insurance	(3)	\$34,843	\$33,748	\$35,436	\$38,084	\$40,951	\$42,998	\$45,148	
11	8253	Auto Allowance	(1)	\$0	\$720	\$749	\$779	\$810	\$846	\$889	
12	8259	Deferred Compensation	(3)	\$39,224	\$30,272	\$31,785	\$34,169	\$36,732	\$38,569	\$40,497	
13	8271	Section 125 Health Insurance	(3)	\$112,103	\$77,306	\$81,171	\$87,259	\$93,803	\$98,494	\$103,418	
14	8281-82	Benefit Stabilization/Comp Absences	(3)	\$26,114	\$52,148	\$54,756	\$58,862	\$63,277	\$66,441	\$69,763	
15	8285	Workers Compensation	(3)	\$41,188	\$33,525	\$35,202	\$37,842	\$40,680	\$42,714	\$44,850	
16		Subtotal		\$982,079	\$1,051,607	\$1,096,780	\$1,152,076	\$1,210,442	\$1,262,636	\$1,317,111	
17					7.1%	4.3%	5.0%	5.1%	4.3%	4.3%	
18	<b>Supplies and Services</b>										
19	8305	After Hours PD Dispatch	(1)	\$10,000	\$10,000	\$10,400	\$10,816	\$11,249	\$11,755	\$12,343	
20	8351	Professional/Technical	(1)	\$306,242	\$283,000	\$294,320	\$306,093	\$318,337	\$332,662	\$349,295	
21	8359	Computer Software Licenses	(1)	\$8,599	\$12,900	\$13,416	\$13,953	\$14,511	\$15,164	\$15,922	
22	8411	Water	(1)	\$2,522	\$2,100	\$2,184	\$2,271	\$2,362	\$2,469	\$2,592	
23	8417	Other WW Treatment Fees	(10)	\$52,572	\$57,500	\$62,100	\$67,068	\$72,433	\$78,228	\$84,486	
24	8418	SBSA Sewer Treatment	(8)	\$1,596,998	\$1,702,400	\$1,838,592	\$1,976,486	\$2,114,840	\$2,252,305	\$2,387,443	
25	8430	Repair and Maintenance Service	(1)	\$5,633	\$12,500	\$13,000	\$13,520	\$14,061	\$14,694	\$15,428	
26	8441	Land/Building Rentals	(1)	\$56,000	\$56,000	\$58,240	\$60,570	\$62,992	\$65,827	\$69,118	
27	8442	Equipment Rentals	(1)	\$7,941	\$18,300	\$19,032	\$19,793	\$20,585	\$21,511	\$22,587	
28	8522	Liability Insurance Charges	(1)	\$185,000	\$244,638	\$254,424	\$264,601	\$275,185	\$287,568	\$301,947	
29	8530	Communications	(1)	\$7,270	\$8,000	\$8,320	\$8,653	\$9,099	\$9,404	\$9,874	
30	8531	Postage and Delivery Services	(1)	\$70	\$750	\$780	\$811	\$844	\$882	\$926	
31	8532	Telephone	(1)	\$18,398	\$20,000	\$20,800	\$21,632	\$22,497	\$23,510	\$24,685	
32	8550	Printing and Binding	(1)	\$248	\$500	\$520	\$541	\$562	\$588	\$617	
33	8580	Travel and Training	(1)	\$2,337	\$5,400	\$5,616	\$5,841	\$6,074	\$6,348	\$6,665	
34	8590	Right-of-way maintenance (PILOT)	(1)	\$204,204	\$204,204	\$212,372	\$220,867	\$229,702	\$240,038	\$252,040	
35	8591	Memberships and Dues	(1)	\$2,765	\$4,300	\$4,472	\$4,651	\$4,837	\$5,055	\$5,307	
36	8599	Miscellaneous	(1)	\$4,116	\$8,500	\$8,840	\$9,194	\$9,561	\$9,992	\$10,491	
37	8610	General Supplies	(1)	\$7,931	\$13,600	\$14,144	\$14,710	\$15,298	\$15,987	\$16,786	
38	8612	Small Tools	(1)	\$23,628	\$43,300	\$45,032	\$46,833	\$48,707	\$50,898	\$53,443	
39	8613	Safety Equipment	(1)	\$2,864	\$14,000	\$14,560	\$15,142	\$15,748	\$16,457	\$17,280	
40	8632	Natural Gas and Electricity	(4)	\$33,749	\$31,000	\$32,240	\$33,530	\$34,871	\$36,266	\$37,716	
41	8639	Fuel	(4)	\$9,828	\$13,000	\$13,520	\$14,081	\$14,623	\$15,208	\$15,816	
42	8641	Repair and Maintenance Supplies	(1)	\$22,756	\$28,000	\$29,120	\$30,285	\$31,496	\$32,914	\$34,559	
43	8680	Books/Manuals/Subscriptions	(1)	\$235	\$300	\$312	\$324	\$337	\$353	\$370	
44	9040	Machinery and Equipment	(1)	\$0	\$110,000	\$0	\$0	\$0	\$0	\$0	
45		Subtotal		\$2,571,895	\$2,904,192	\$2,976,356	\$3,162,245	\$3,350,712	\$3,546,079	\$3,747,738	
46					12.9%	2.5%	6.2%	6.0%	5.8%	5.7%	
47	<b>Administrative and Other</b>										
48	8307	Vehicle Usage Charge	(1)	\$111,967	\$125,423	\$130,440	\$135,657	\$141,084	\$147,432	\$154,804	
49	8308	Computer Usage Charge	(1)	\$50,842	\$52,182	\$54,269	\$56,440	\$58,698	\$61,339	\$64,406	
50	8309	Building Maintenance Charge	(1)	\$34,391	\$33,398	\$34,734	\$36,123	\$37,568	\$39,259	\$41,222	
51	8310	Administrative Support Charge	(1)	\$116,448	\$128,650	\$131,716	\$136,985	\$142,464	\$148,875	\$156,319	
52		Subtotal		\$313,648	\$337,653	\$351,159	\$365,206	\$379,814	\$396,906	\$416,751	
53					7.7%	4.0%	4.0%	4.0%	4.5%	5.0%	

A	B	C	D	E	F	G	H	I	J	K	L
1	City of Belmont										
2	Sewer Rate Study - FY 2009-10										
3	Table 2A. Sewer Revenue Requirements (Fund 501, Divisions 3101, 3102)										
4	Table 1B										
5	Factor	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14	Notes		
		Actual	Adopted								
54	<b>Non-Operating Revenues</b> (enter as negative # to reflect the fact that non-operating revenue reduces the revenue requirement)										
55	6705	Public Works Service Charges	(\$29,380)	(\$20,000)	(\$20,000)	(\$20,000)	(\$20,000)	(\$20,000)	(\$20,000)	(\$20,000)	(\$20,000)
56	6706	CIP Chargeback for City Services	(\$302,254)	(\$200,000)	(\$201,000)	(\$202,508)	(\$204,026)	(\$205,046)	(\$205,046)	(\$205,046)	(\$205,046)
57		Standby Charges	(\$156,565)	(\$156,565)	(\$153,096)	(\$151,948)	(\$150,809)	(\$150,055)	(\$150,055)	(\$150,055)	(\$150,055)
58		Subtotal	(\$488,199)	(\$376,565)	(\$374,096)	(\$374,456)	(\$374,835)	(\$375,101)	(\$375,101)	(\$375,101)	(\$375,101)
59			-22.9%	-0.7%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
60		<b>Net Operating Expenses</b>	\$3,379,423	\$3,916,887	\$4,050,429	\$4,305,431	\$4,566,512	\$4,830,785	\$5,106,498	\$5,106,498	\$5,106,498
61			15.9%	3.4%	6.3%	6.1%	5.8%	5.7%	5.7%	5.7%	5.7%
62		<b>Transfers to/(from)</b>									
63		Rate Stabilization Reserve	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
64	8419	Fund 503 for Depreciation	\$257,726	\$260,000	\$260,000	\$260,000	\$260,000	\$260,000	\$260,000	\$260,000	\$260,000
65	9672	Fund 503 for Capital Projects	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
66		Fund 503 for Debt Service	\$937,064	\$929,364	\$1,140,104	\$1,475,899	\$1,481,682	\$1,476,828	\$1,476,437	\$1,476,437	\$1,476,437
67		Fund 505 for Other SBSA Capital	\$121,143	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
68		Fund 525 for Storm Drainage	\$585,160	\$641,033	\$706,826	\$764,782	\$823,927	\$883,760	\$951,961	\$951,961	\$951,961
69		Subtotal	\$1,901,093	\$1,830,397	\$2,106,930	\$2,500,681	\$2,765,608	\$2,895,587	\$3,013,398	\$3,013,398	\$3,013,398
70			-3.7%	15.1%	18.7%	10.6%	4.7%	4.1%	4.1%	4.1%	4.1%
71		<b>Net Revenue Requirement</b>	\$5,280,516	\$5,747,284	\$6,157,359	\$6,806,111	\$7,332,120	\$7,726,372	\$8,119,896	\$8,119,896	\$8,119,896
72		Annual Increase	8.8%	7.1%	10.5%	7.7%	5.4%	5.1%	5.1%	5.1%	5.1%
73		Cumulative Increase	8.8%	16.6%	28.9%	38.9%	46.3%	53.8%	53.8%	53.8%	53.8%
74											
75	Source: City of Belmont Budget unless otherwise noted.										

A	B	C	D	E	F	G	H	I	J	K	L
City of Belmont											
Sewer Rate Study - FY 2009-10											
Table 2B. Storm Drainage Revenue Requirements (Fund 525, Divisions 3103, 3104, 4315)											
Table 1B											
Factor											
Actual											
Adopted											
Projected											
FY 2007-08											
FY 2008-09											
FY 2009-10											
FY 2010-11											
FY 2011-12											
FY 2012-13											
FY 2013-14											
Notes											
6	<b>Operating Expenses</b>										
7	<b>Personnel</b>										
8	8101-11	Salaries	(2)	\$418,790	\$466,269	\$484,919	\$504,316	\$524,489	\$545,468	\$567,287	
9	8211	PERS Retirement	(3)	\$50,890	\$58,765	\$61,704	\$66,331	\$71,306	\$74,871	\$78,615	
10	8221-42	FICA/Health/Dental/Life Insurance	(3)	\$21,285	\$22,864	\$24,007	\$25,807	\$27,743	\$29,130	\$30,586	
11	8253	Auto Allowance	(1)	\$0	\$720	\$749	\$779	\$810	\$846	\$889	
12	8259	Deferred Compensation	(3)	\$20,345	\$15,410	\$16,181	\$17,394	\$18,699	\$19,634	\$20,616	
13	8271	Section 125 Health Insurance	(3)	\$48,558	\$42,984	\$45,144	\$48,530	\$52,169	\$54,778	\$57,517	
14	8291-82	Benefit Stabilization/Comp Absences	(3)	\$19,098	\$36,038	\$37,839	\$40,677	\$43,728	\$45,915	\$48,210	
15	8285	Workers Compensation	(3)	\$22,284	\$20,769	\$21,808	\$23,443	\$25,201	\$26,462	\$27,785	
16		Subtotal		\$600,250	\$663,829	\$692,350	\$727,278	\$764,146	\$797,104	\$831,505	4.3%
17					10.6%	4.3%	5.0%	5.1%	4.3%	4.3%	
18	<b>Supplies and Services</b>										
19	8331	Engineering/Architectural Costs	(1)	\$0	\$80,000	\$83,200	\$86,528	\$89,989	\$94,039	\$98,741	
20	8351	Professional/Technical	(1)	\$94,397	\$105,231	\$109,440	\$113,818	\$118,371	\$123,697	\$129,882	
21	8356	Technology Services	(1)	\$565	\$1,250	\$1,300	\$1,352	\$1,406	\$1,469	\$1,543	
22	8359	Computer Software Licenses	(1)	\$47	\$2,250	\$2,340	\$2,434	\$2,531	\$2,645	\$2,777	
23	8411	Water	(1)	\$124	\$250	\$260	\$270	\$281	\$294	\$309	
24	8430	Repair and Maintenance Service	(1)	\$700	\$3,000	\$3,120	\$3,245	\$3,375	\$3,526	\$3,703	
25	8442	Equipment Rentals	(1)	\$3,903	\$8,000	\$8,320	\$8,653	\$8,999	\$9,404	\$9,874	
26	8522	Liability Insurance Charges	(1)	\$94,450	\$124,898	\$129,894	\$135,089	\$140,493	\$146,815	\$154,156	
27	8530	Communications	(1)	\$1,771	\$3,000	\$3,120	\$3,245	\$3,375	\$3,526	\$3,703	
28	8531	Postage & Delivery	(1)	\$2	\$0	\$0	\$0	\$0	\$0	\$0	
29	8532	Telephone	(1)	\$5,137	\$6,100	\$6,344	\$6,598	\$6,862	\$7,170	\$7,529	
30	8550	Printing and Binding	(1)	\$453	\$600	\$624	\$649	\$675	\$705	\$741	
31	8580	Travel and Training	(1)	\$773	\$3,250	\$3,380	\$3,515	\$3,656	\$3,820	\$4,011	
32	8591	Memberships and Dues	(1)	\$325	\$350	\$364	\$379	\$394	\$411	\$432	
33	8599	Miscellaneous	(1)	\$1,752	\$5,800	\$6,032	\$6,273	\$6,524	\$6,818	\$7,159	
34	8610	General Supplies	(1)	\$5,063	\$8,700	\$9,048	\$9,410	\$9,786	\$10,227	\$10,738	
35	8612	Small Tools	(1)	\$1,151	\$5,550	\$5,772	\$6,003	\$6,243	\$6,524	\$6,850	
36	8613	Safety Equipment	(1)	\$4,717	\$11,500	\$11,960	\$12,438	\$12,936	\$13,518	\$14,194	
37	8632	Natural Gas and Electricity	(4)	\$1,167	\$2,000	\$2,080	\$2,163	\$2,250	\$2,340	\$2,433	
38	8639	Fuel	(4)	\$8,724	\$9,700	\$10,088	\$10,492	\$10,911	\$11,348	\$11,802	
39	8641	Repair and Maintenance Supplies	(1)	\$13,889	\$19,750	\$20,540	\$21,362	\$22,216	\$23,121	\$24,377	
40	8680	Books-Manuals-Subscriptions	(1)	\$139	\$300	\$312	\$324	\$337	\$353	\$370	
41		Subtotal		\$239,249	\$401,479	\$417,538	\$434,239	\$451,609	\$471,866	\$495,322	67.8%
42					67.8%	4.0%	4.0%	4.0%	4.5%	5.0%	
43	<b>Administrative and Other</b>										
44	8307	Vehicle Usage Charge	(1)	\$67,007	\$75,059	\$78,062	\$81,184	\$84,432	\$88,231	\$92,643	
45	8308	Computer Usage Charge	(1)	\$56,323	\$57,405	\$59,701	\$62,089	\$64,573	\$67,479	\$70,853	
46	8309	Building Maintenance Charge	(1)	\$20,782	\$20,360	\$21,175	\$22,022	\$22,903	\$23,933	\$25,130	
47	8310	Administrative Support Charge	(1)	\$76,221	\$85,288	\$88,700	\$92,248	\$95,938	\$100,255	\$105,268	
48		Subtotal		\$220,333	\$238,113	\$247,638	\$257,543	\$267,845	\$279,898	\$293,893	8.1%
49					8.1%	4.0%	4.0%	4.0%	4.5%	5.0%	



	A	B	C	D	E	F	G	H	I	J
1	City of Belmont									
2	Sewer Rate Study - FY 2008-10									
3	Table 3. Revenue Increases (Fund 501)									
4										
5	Table 1B									
6	Factor	FY 2007-08	FY 2008-09	FY 2008-09	FY 2008-10	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14	Notes
7	Surplus/(Deficit) with Rate Increases									
8	Revenue from Prior Year Rates	\$5,400,917	\$5,270,382	\$5,718,364	\$6,101,033	\$6,714,075	\$7,407,154	\$8,171,778	A=N from previous year	
9	Change in Consumption	0.00%	0.00%	-3.85%	0.50%	0.75%	0.75%	0.50%	B	
10	Consumption as % of total revenue	55.00%	55.00%	55.00%	55.00%	55.00%	55.00%	55.00%	C	
11	Revenue change from consumption change	\$0	\$0	(\$121,086)	\$16,778	\$27,686	\$30,555	\$22,472	A*B*C=D	
12	Revenue adjusted for change in consumption	\$5,400,917	\$5,270,382	\$5,597,278	\$6,117,810	\$6,741,771	\$7,437,709	\$8,194,250	A+D=E	
13	Unit growth	0.00%	0.00%	0.00%	0.50%	0.75%	0.75%	0.50%	F	
14	Unit charges as % of total revenue	45.00%	45.00%	45.00%	45.00%	45.00%	45.00%	45.00%	1-C=G	
15	Revenue change from growth change	\$0	\$0	\$0	\$13,765	\$22,753	\$25,102	\$18,437	E*F*G=H	
16	Revenue adjusted for change in units and consumption	\$5,400,917	\$5,270,382	\$5,597,278	\$6,131,576	\$6,764,524	\$7,462,811	\$8,212,687	E+H=I	
17	Revenue Requirement	\$5,280,516	\$5,747,284	\$6,157,359	\$6,806,111	\$7,332,120	\$7,726,372	\$8,119,896	J. From Table 2A	
18	Difference	\$120,400	(\$476,902)	(\$560,082)	(\$674,536)	(\$567,596)	(\$263,561)	\$92,791	I=K	
19	%age difference	2.23%	-9.05%	-10.01%	-11.00%	-8.39%	-3.53%	1.13%	K/I	
20	Rate Increase	0.00%	8.50%	9.00%	9.50%	9.50%	9.50%	8.50%	L. From Table 1A	
21	Increase in revenue from rates, \$	\$0	\$447,982	\$503,755	\$582,500	\$642,630	\$708,967	\$698,078	L=M	
22	Total Revenue with Rate Increase	\$5,400,917	\$5,718,364	\$6,101,033	\$6,714,075	\$7,407,154	\$8,171,778	\$8,910,766	I+M=N	
23	Change in total revenue	\$5,280,516	\$5,747,284	\$6,157,359	\$6,806,111	\$7,332,120	\$7,726,372	\$8,119,896	J. From Table 2A	
24	Revenue Requirement	\$120,400	(\$28,920)	(\$56,327)	(\$92,036)	\$75,034	\$445,406	\$790,869	N+J. To Table 4	
25	Surplus/(Deficit) after Rate Increase	\$5,400,917	\$5,270,382	\$5,718,364	\$5,597,278	\$5,625,299	\$5,667,567	\$5,710,152	A=N from previous year	
26	Change in Consumption	0.00%	0.00%	-3.85%	0.50%	0.75%	0.75%	0.50%	B	
27	Consumption as % of total revenue	55.00%	55.00%	55.00%	55.00%	55.00%	55.00%	55.00%	C	
28	Revenue change from consumption change	\$0	\$0	(\$121,086)	\$15,393	\$23,204	\$23,379	\$15,703	A*B*C=D	
29	Revenue adjusted for change in consumption	\$5,400,917	\$5,270,382	\$5,597,278	\$5,612,670	\$5,648,503	\$5,690,945	\$5,725,855	A+D=E	
30	Unit growth	0.00%	0.00%	0.00%	0.50%	0.75%	0.75%	0.50%	F	
31	Unit charges as % of total revenue	45.00%	45.00%	45.00%	45.00%	45.00%	45.00%	45.00%	1-C=G	
32	Revenue change from growth change	\$0	\$0	\$0	\$12,629	\$19,064	\$19,207	\$12,883	E*F*G=H	
33	Revenue adjusted for change in units and consumption	\$5,400,917	\$5,270,382	\$5,597,278	\$5,625,299	\$5,667,567	\$5,710,152	\$5,738,738	E+H=I	
34	Revenue Requirement	\$5,280,516	\$5,747,284	\$6,157,359	\$6,806,111	\$7,332,120	\$7,726,372	\$8,119,896	J. From Table 2A	
35	Difference	\$120,400	(\$476,902)	(\$560,082)	(\$180,813)	(\$1,664,553)	(\$2,016,220)	(\$2,381,158)	I=K	
36	%age difference	2.23%	-9.05%	-10.01%	-20.99%	-29.37%	-35.31%	-41.49%	K/I	
37	Prior Rate Increases	0.00%	8.50%	0.00%	0.00%	0.00%	0.00%	0.00%	L. From Table 1A	
38	Increase in revenue from rates, \$	\$0	\$447,982	\$0	\$0	\$0	\$0	\$0	L=M	
39	Total Revenue	\$5,400,917	\$5,718,364	\$5,597,278	\$5,625,299	\$5,667,567	\$5,710,152	\$5,738,738	I+M=N	
40	Change in total revenue	\$5,280,516	\$5,747,284	\$6,157,359	\$6,806,111	\$7,332,120	\$7,726,372	\$8,119,896	J. From Table 2A	
41	Revenue Requirement	\$120,400	(\$28,920)	(\$56,327)	(\$92,036)	\$75,034	\$445,406	\$790,869	N+J. To Table 4	
42	Surplus/(Deficit)	\$120,400	(\$28,920)	(\$56,327)	(\$92,036)	\$75,034	\$445,406	\$790,869	N+J. To Table 4	

	A	B	C	D	E	F	G	H	I	J	K
1	City of Belmont										
2	Sewer Rate Study - FY 2009-10										
3	Table 4. Reserves										
4											
5											
6	<b>Sewer Enterprise Operations Reserve (Fund 501)</b>										
7	<i>Without Rate Increase, except for 08-09, which has already been enacted</i>										
8	<b>Beginning Balance</b>	\$2,208,503	\$2,245,404	\$1,744,283	\$598,087	(\$1,066,467)	(\$3,082,686)	(\$5,463,844)			
9	Surplus/(Deficit)	(\$28,920)	(\$560,082)	(\$1,180,813)	(\$1,864,503)	(\$2,016,220)	(\$2,381,158)	From Table 3			
10	<b>Transfer (to)/from:</b>										
11	Sewer Capital (Fund 503)	\$0	\$0	\$0	\$0	\$0	\$0	From below			
12	Estimated Interest on balance	\$2,179,583	\$1,885,322	\$563,471	(\$1,066,467)	(\$3,082,686)	(\$5,463,844)				
13	(5)	\$65,821	\$58,961	\$34,616	\$0	\$0	\$0				
14	<b>Ending Balance</b>	\$2,208,503	\$2,245,404	\$1,744,283	\$598,087	(\$1,066,467)	(\$3,082,686)	(\$5,463,844)			
15	Minimum Balance	\$2,940,000	\$3,040,000	\$3,230,000	\$3,420,000	\$3,620,000	\$3,830,000	75% of Operating Expenses			
16	Fund Balance as % of Minimum	75%	76%	57%	19%	-31%	-85%	-143%			
17	Operations Working Capital	\$2,208,503	\$2,245,404	\$1,744,283	\$598,087	(\$1,066,467)	(\$3,082,686)	(\$5,463,844)			
18	Rate Stabilization Reserve	\$0	\$0	\$0	\$0	\$0	\$0	\$0			
19	<b>Total</b>	\$2,208,503	\$2,245,404	\$1,744,283	\$598,087	(\$1,066,467)	(\$3,082,686)	(\$5,463,844)			
20	<b>With Rate Increase</b>										
21	% Rate Increase	8.5%	9.0%	9.5%	9.5%	9.5%	9.5%	9.5%	9.5%	8.5%	From Table 1A
22											
23	<b>Beginning Balance</b>	\$2,208,503	\$2,245,404	\$2,255,595	\$2,229,846	\$2,372,901	\$2,896,174				
24	Surplus/(Deficit)	(\$28,920)	(\$56,327)	(\$92,036)	\$75,034	\$445,406	\$790,869	From Table 3			
25	<b>Transfer (to)/from:</b>										
26	Sewer Capital (Fund 503)	\$0	\$0	\$0	\$0	\$0	\$0	To above, below			
27	Estimated Interest on balance	\$2,179,583	\$2,189,077	\$2,163,558	\$2,304,880	\$2,818,306	\$3,687,044				
28	(5)	\$65,821	\$68,517	\$66,287	\$68,021	\$77,868	\$98,748				
29	<b>Ending Balance</b>	\$2,208,503	\$2,245,404	\$2,255,595	\$2,229,846	\$2,372,901	\$2,896,174	\$3,785,792			
30	Minimum Balance	\$2,940,000	\$3,040,000	\$3,230,000	\$3,420,000	\$3,620,000	\$3,830,000	75% of Operating Expenses			
31	Fund Balance as % of Minimum	75%	76%	74%	69%	69%	80%	99%			
32	Operations Working Capital	\$2,208,503	\$2,245,404	\$2,255,595	\$2,229,846	\$2,372,901	\$2,896,174	\$3,785,792			
33	Rate Stabilization Reserve	\$0	\$0	\$0	\$0	\$0	\$0	\$0			
34	<b>Total</b>	\$2,208,503	\$2,245,404	\$2,255,595	\$2,229,846	\$2,372,901	\$2,896,174	\$3,785,792			

	A	B	C	D	E	F	G	H	I	J	K
1	City of Belmont										
2	Sewer Rate Study - FY 2009-10										
3	Table 4. Reserves										
4											
5											
36	<b>Sewer Capital Reserve (Funds 503)</b>										
37	Beginning Balance										
38	Revenues										
39	6820 Connection Fees										
40	7299 Miscellaneous										
41	Gross Proceeds from Revenue Bonds										
42	Subtotal										
43	Capital Projects Expenditures										
44	8310 Administrative Support										
45	8331 Engineering/Architectural Expenses										
46	8351 Professional/Technical Services										
47	8354 Bond Issuance Costs										
48	Subtotal										
49	Capital Improvements										
50	9030 Sewer Projects (Fund 503)										
51	9030 Storm Drainage Enterprise (Fund 525)										
52	Delay Projects										
53	Complete Delayed Projects										
54	Subtotal										
55	Debt Service										
56	2001 Sewer Bond										
57	2006 Sewer Bond										
58	2009 Sewer Bond										
59	Subtotal										
60	Transfer (to)/from:										
61	Revenue Requirements (cash projects)										
62	Revenue Requirements (debt service)										
63	Sewer Operations (Fund 501)										
64	SBSA Facilities (Fund 505)										
65	Transfers for Depreciation										
66	From Sewer Operations (Fund 501)										
67	From Storm Drain Operations (Fund 525)										
68	Subtotal - Transfers										
69	Fund Subtotal										
70	Estimated interest on balance										
71	Ending Balance										
72	Target Balance										
73	Fund Balance as % of Target										

	A	B	C	D	E	F	G	H	I	J	K	
1	City of Belmont											
2	Sewer Rate Study - FY 2009-10											
3	Table 4. Reserves											
4	Table 1B											
5	Factor	FY 2007-08	Actual	Adopted	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14	Notes	
6	Projected											
7	SB SA Facilities (Fund 505)											
8	75	Beginning Balance		\$646,813	\$866,416	\$800,965	\$729,405	\$650,535	\$208,883			
9	76	SB SA Expenditures		(\$2,012)	(\$2,092)	(\$2,176)	(\$2,263)	(\$2,354)	(\$2,448)			
10	77	8310 Administrative Expense		(\$44,000)	(\$68,900)	(\$92,000)	(\$97,000)	(\$102,000)	(\$107,000)			
11	78	SB SA Pay-as-you-go Capital Funding		\$0	\$0	(\$115,936)	(\$179,581)	(\$187,477)	(\$130,480)		Battle Wells' SB SA 10-year Financial Plan draft	
12	79	SB SA Connection Fees		\$0	\$0	\$0	\$0	\$0	\$0		from below	
13	80	Revenue										
14	81	6820 Connection Fees		\$0	\$0	\$115,936	\$179,581	\$187,477	\$130,480		from below	
15	82	Transfer (to)/from Capital Reserve (Fund 503)		\$243,252	\$0	\$0	\$0	(\$350,000)	\$0		from above	
16	83	Transfer (to)/from Revenue Requirements for:										
17	84	SB SA Pay-as-you-go Capital Funding		\$0	\$0	\$0	\$0	\$0	\$0		From Above or zero, To Table 2A	
18	85	Subtotal - Transfers		\$243,252	\$0	\$0	\$0	(\$350,000)	\$0			
19	86	Fund Subtotal		\$844,053	\$776,324	\$706,789	\$630,142	\$196,182	\$99,435			
20	87	Estimated Interest on balance		\$22,363	\$24,641	\$22,616	\$20,393	\$12,701	\$4,625			
21	88	Ending Balance		\$646,813	\$800,965	\$729,405	\$650,535	\$208,883	\$104,060			
22	89	Target Balance		\$0	\$0	\$0	\$0	\$0	\$0		Finance Department	
23	90											
24	91	<b>Total Reserves</b>										
25	92	Total Reserves without Increases		\$5,274,626	\$3,538,566	\$7,908,839	\$5,116,122	\$2,211,983	(\$1,793,573)	(\$4,063,742)		
26	93	Total Reserves with Increases		\$5,274,626	\$3,538,566	\$8,420,150	\$6,747,881	\$5,651,350	\$4,185,288	\$5,185,894		
27	94	Minimum Balance		\$2,940,000	\$3,040,000	\$3,230,000	\$3,420,000	\$3,620,000	\$3,830,000	\$3,830,000		
28	95	Target Balance		\$4,365,567	\$4,465,567	\$4,655,567	\$4,845,567	\$5,045,567	\$5,255,567			
29	96	Estimated Interest Income		\$313,264	\$130,244	\$176,730	\$224,158	\$183,240	\$145,369	\$138,490		
30	97											
31	98	<b>Connection Fee Revenue Estimate</b>										
32	99	# of sewer units		10,857	10,857	10,911	10,993	11,076				
33	100	Estimated number of new connections		0	0	34	82	82	55			
34	101	Belmont Connection Fee		\$3,986.04	\$6,937.58	\$9,889.11	\$10,161.06	\$10,528.89	\$10,910.04		local system component; shows planned phase-in and eventual inflation To Fund 503 above	
35	102	Estimated Revenue		\$0	\$0	\$536,830	\$831,527	\$868,090	\$604,174			
36	103	Estimated number of new connections		0	0	54	82	82	55		Consistent w/Sewer Treatment Charge model	
37	104	SB SA Connection Fee		\$1,188.90	\$1,662.30	\$2,135.70	\$2,194.43	\$2,273.87	\$2,356.18		SB SA component; shows planned phase-in and eventual inflation To Fund 505 above	
38	105	Estimated Revenue		\$0	\$0	\$115,936	\$179,581	\$187,477	\$130,480			
39	106											
40	107											
41	108											
42	109											
43	110											
44	111											

	A	B	C	D	E	F	G	H	I	J	K
1	City of Belmont										
2	Sewer Rate Study - FY 2009-10										
3	Table 5. Capital Improvement Projects										
4											
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	A	B	C	D	E	F	G	H	I
1	City of Belmont								
2	Sewer Rate Study - FY 2009-10								
3	Table 6. Debt Service and Debt Coverage								
4		Actual	Adopted			Projected			
5		FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14	Notes
6	Debt Service								
7	2001 Revenue Bonds								
8	9367 Interest	\$325,108	\$318,108	\$310,998	\$303,670	\$296,014	\$288,029	\$279,716	
9	9317 Principal	\$160,000	\$160,000	\$165,000	\$170,000	\$180,000	\$185,000	\$195,000	
10	Payment	\$485,108	\$478,108	\$475,998	\$473,670	\$476,014	\$473,029	\$474,716	To Table 2
11	2006 Revenue Bonds								
12	9368 Interest	\$311,956	\$306,256	\$300,356	\$294,256	\$287,856	\$281,156	\$274,256	
13	9318 Principal	\$140,000	\$145,000	\$150,000	\$155,000	\$165,000	\$170,000	\$175,000	
14	Payment	\$451,956	\$451,256	\$450,356	\$449,256	\$452,856	\$451,156	\$449,256	To Table 2
15	2009 Revenue Bonds (estimated)								
16	Principal Amount of Bonds			\$8,550,000				\$2,100,000	Assuming 5% interest, 30 years; To Table 4
17	Costs of Issuance			(\$513,000)	6.0%			(\$126,000)	To Table 4
18	Net Bond Proceeds for Projects			\$8,037,000				\$1,974,000	
19			Year #:	1	2	3	4	5	
20	Interest			\$213,750	\$424,283	\$417,687	\$410,762	\$403,491	
21	Principal			\$0	\$128,690	\$135,124	\$141,880	\$148,974	
22	Payment			\$213,750	\$552,973	\$552,812	\$552,643	\$552,465	To Table 2
23									
24	Debt Coverage Excludes depreciation and transfers (Funds 501, 503, 505, & 525)								
25	Revenue								
26	Sewer Charges	\$5,400,917	\$5,718,364	\$6,233,017	\$6,859,279	\$7,567,242	\$8,348,276	\$9,103,169	From Table 3
27	NPDES	\$414,556	\$415,700	\$415,700	\$417,779	\$420,912	\$424,069	\$426,189	From Table 2B
28	Non-Operating	\$585,662	\$686,565	\$683,866	\$685,596	\$688,217	\$690,874	\$692,671	From Tables 2A, 2B
29	Interest	\$313,264	\$130,244	\$176,730	\$224,158	\$183,240	\$145,369	\$138,490	From Table 4
30	Subtotal	\$6,714,399	\$6,950,873	\$7,509,312	\$8,186,812	\$8,859,611	\$9,608,589	\$10,360,519	
31	Expenses								
32	Personnel	\$1,582,329	\$1,715,436	\$1,789,130	\$1,879,355	\$1,974,587	\$2,059,740	\$2,148,615	From Tables 2A, 2B
33	Supplies and Services	\$2,811,144	\$3,305,671	\$3,393,894	\$3,596,484	\$3,802,321	\$4,017,944	\$4,243,060	From Tables 2A, 2B
34	Administrative and Other	\$533,981	\$575,766	\$598,797	\$622,749	\$647,659	\$676,804	\$710,644	From Tables 2A, 2B
35	Subtotal	\$4,927,454	\$5,596,873	\$5,781,821	\$6,098,588	\$6,424,567	\$6,754,488	\$7,102,319	
36									
37	Net Revenue	\$1,786,945	\$1,354,000	\$1,727,491	\$2,088,224	\$2,435,044	\$2,854,101	\$3,258,201	
38	Debt Service								
39	2001 Revenue Bonds	\$485,108	\$478,108	\$475,998	\$473,670	\$476,014	\$473,029	\$474,716	From Above
40	2006 Revenue Bonds	\$451,956	\$451,256	\$450,356	\$449,256	\$452,856	\$451,156	\$449,256	From Above
41	2009 Revenue Bonds	\$0	\$0	\$213,750	\$552,973	\$552,812	\$552,643	\$552,465	From Above
42	Subtotal	\$937,064	\$929,364	\$1,140,104	\$1,475,899	\$1,481,682	\$1,476,828	\$1,476,437	
43									
44	Debt Coverage Ratio	1.91	1.46	1.52	1.41	1.64	1.93	2.21	

	A	B	C	D	E	F
1	City of Belmont					
2	Sewer Rate Study - FY 2009-10					
3	Table 7. Single-Family Rate Comparison					
4						
5	Assumption: For flow-based rates, average consumption is 6.82 HCF per month (Belmont SFR average)					
6						
7	City	Population	Basis	Monthly	Annual Rate	As of
8	Belmont - Current	26,078	Fixed + Flow - Annualized Winter, SBSA Treatment	\$41.14	\$493.66	7/1/2008
9	Belmont - Proposed	26,078	Fixed + Flow - Annualized Winter, SBSA Treatment	\$44.83	\$538.02	7/1/2009
10	Burlingame	28,867	Annualized Winter Monthly Flow (per thousand gallons)	\$42.19	\$506.29	7/1/2008
11	Daly City	106,361	Annualized Winter Monthly Flow	\$32.87	\$394.47	7/1/2007
12	East Palo Alto SD	24,570	Fixed - Full Service	\$37.50	\$450.00	7/1/2009
13	Foster City	30,308	Fixed - Full Service	\$40.98	\$491.76	7/1/2008
14	Hillsborough	11,272	Fixed - Full Service	\$130.25	\$1,563.00	7/1/2008
15	Los Altos	28,291	Fixed - Full Service	\$37.96	\$455.52	7/1/2008
16	Los Altos Hills	8,837	Fixed - Full Service	\$61.17	\$734.00	7/1/2007
17	Millbrae - Proposed	21,387	Fixed + Flow	\$68.32	\$819.81	7/1/2009
18	Mountain View	73,932	Fixed - Full Service	\$23.05	\$276.60	7/1/2008
19	Palo Alto	63,367	Fixed - Full Service	\$23.48	\$281.76	11/1/2008
20	Redwood City	77,269	Fixed - Full Service, SBSA Treatment	\$41.01	\$492.12	7/20/2008
21	San Bruno	43,444	Fixed + Flow - Annualized Winter	\$45.85	\$550.23	7/1/2008
22	San Carlos	28,857	Fixed - Full Service, SBSA Treatment	\$40.89	\$490.72	7/1/2008
23	San Mateo	95,776	Annualized Winter Monthly Flow	\$30.76	\$369.10	7/1/2008
24	South San Francisco	63,744	Fixed - Full Service	\$29.33	\$352.00	7/1/2007
25	Sunnyvale	137,538	Fixed - Full Service	\$26.02	\$312.24	7/1/2008
26	West Bay SD	55,000	Fixed - Full Service, Gravity Line, SBSA Treatment	\$35.00	\$420.00	7/1/2008
27						
28	Sources:					
29	Population - California Department of Finance, Demographic Research Unit, E-5 City/County Population & Housing Estimates, 1/1/2008					
30	except sanitary or sewer districts (population estimate from district).					
31	Monthly Rates - City/District websites or telephone contact with City/District representative					

ATTACHMENT B

HF&H Report Addendum Sewer Rate Update  
FY 2009-10, dated April 10, 2009

COPY WILL BE FORTH COMING

## ATTACHMENT C

### ACTION PLAN

#### Schedule for Annual Sewer Charge Increase Tax Year 2009-10

- |           |  |
|-----------|--|
| March 4   | Infrastructure Subcommittee Review of Draft Rate Analysis Report (HFH)   |
| March 5   | Preparation of Draft Authorizing Resolution (Mark Mandell)   |
| March 24  | Rate Analysis and Draft Resolution to City Council for discussion and direction and consideration of authorizing resolution at April 14 City Council meeting   |
| March 30  | Infrastructure Subcommittee Review   |
| April 2   | Finance Commission Review  |
| April 14  | City Council consideration of Resolution stating intent to increase charges. The Proposition 218 Notice would be authorized for mailing by adoption of (i) setting rules for tabulating protests, (ii) scheduling public hearing* and (iii) proposing rate structure*. [Portions marked with * included principally for benefit of council/staff coordination, not legally required] |
| April 24  | Send 45 day Notice to Printer (Tim Seufert, NBS)   |
| April 30  | Mail 45 day Notices to property owners (Tim Seufert, NBS)  |
| April     | Track written and verbal responses from property owners, and prepare Response(s)   |
| April     | Meeting of City Council Infrastructure Subcommittee to discuss Rates and review Responses  |
| May 8     | Publish first notice of June 23 public hearing (Pam/City Clerk)  |
| May 15    | Publish second notice of June 23 public hearing 10 days prior to public hearing (Pam/City Clerk)   |
| June 23   | Public Hearing at City Council Meeting - (A) Public Hearing and Tally of Protests (B) Introduction (First Reading) of Ordinance increasing the City's Sewer Charge   |
| June 25   | File Rate Charge Report with City (NBS)  |
| July 14   | (A) Second Reading of Ordinance (B) Resolution of the City Council of the City of Belmont Confirming and Approving the Report of Sewer Charges for Tax Year 2009-10, directing the filing of charges for collection by the County Auditor. (consent)   |
| August 10 | Send new rates for all properties to County of San Mateo for Tax bill (NBS)  |
| August 14 | (30 days after introduction of ordinance) Rate Ordinance takes effect  |

**RESOLUTION NO. \_\_\_\_\_**

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF BELMONT  
STATING ITS INTENTION TO REVISE THE CITY'S SEWER CHARGES EFFECTIVE  
TAX YEAR 2009-10**

**WHEREAS**, the City of Belmont levies charges for sewer services pursuant to Section 21.93 of the Belmont Municipal Code and pursuant to Section 5470 *et seq.* of the California Health & Safety Code; and,

**WHEREAS**, the City Council desires to conduct proceedings to revise the rate and methodology for the sewer charges, to be effective beginning in the 2009-10 tax year.

**NOW, THEREFORE, BE IT RESOLVED** by the City Council of the City of Belmont that:

- Section 1. The foregoing recitals are all true and correct.
- Section 2. The City Council proposes the imposition of the rates and methodology generally described in Exhibit "A" to this Resolution, which is incorporated herein by reference.
- Section 3. On June 9, 2009, at 7:30 PM or as soon thereafter as may be practicable in the City Council Chambers located at One Twin Pines Lane, Belmont, CA, the City Council will hold a public hearing pursuant to Article XIID of the California Constitution with respect to the proposed rates. At this hearing, all interested persons will be permitted to present oral and written testimony with respect to the proposed rates and methodology.
- Section 4. The City Council further directs staff to give notice of the hearing in the manner required by law.
- Section 5. The City will accept and tabulate protests against the proposed rate revision pursuant to the procedures set forth in Exhibit "B" to this Resolution, which is incorporated herein by reference.

\* \* \* \* \*

I hereby certify that the foregoing Resolution was duly and regularly passed and adopted by the City Council of the City of Belmont at a regular meeting thereof held on April 14, 2009 by the following vote:

AYES, COUNCILMEMBERS: \_\_\_\_\_

NOES, COUNCILMEMBERS: \_\_\_\_\_

ABSTAIN, COUNCILMEMBERS: \_\_\_\_\_

ABSENT, COUNCILMEMBERS: \_\_\_\_\_

\_\_\_\_\_  
CLERK of the City of Belmont

APPROVED:

\_\_\_\_\_  
MAYOR of the City of Belmont

ATTACHMENT D

RESOLUTION EXHIBIT "A"

PROPOSED SEWER CHARGE RATE SCHEDULE

Each parcel's sewer charge will be the sum of a Base Charge and a Flow Charge.

**Base Charge**

- Residential Customers (single-family and multi-family):  
\$250.07 per dwelling unit per year
- Non-Residential Customers:  
\$250.07 per parcel per year

**Flow Charge**

- Residential and most Non-Residential Customers:  
\$3.28 per hundred cubic feet of estimated annualized wastewater discharge
- "High-Strength" Non-Residential Customers (supermarkets with grinders and restaurants with on-site food preparation):  
\$6.38 per hundred cubic feet of estimated annualized wastewater discharge

## ATTACHMENT D

### RESOLUTION EXHIBIT "B"

#### GUIDELINES FOR THE SUBMISSION AND TABULATION OF PROTESTS

##### Submission of Protests

1. Any property owner may submit a written protest to the City Clerk, either by delivery to the office of the City Clerk or by submitting the protest at the public hearing. Protests must be received by the end of the public hearing. No postmarks will be accepted.
2. Each protest must identify the affected property (by assessor's parcel number or street address) and include the signature of the record property owner. Email protests cannot be accepted. Although oral comments at the public hearing will not qualify as a formal protest unless accompanied by a written protest, the City Council welcomes input from the community during the public hearing on the proposed charges.
3. If a parcel served by the City is owned by more than a single record owner, each owner may submit a protest, but only one protest will be counted per parcel and any one protest submitted in accordance with these rules will be sufficient to count as a protest for that property.
4. In order to be valid a protest must bear the original signature of the record owner with respect to the property identified on the protest. Protests not bearing the original signature of a record owner shall not be counted.
5. Any person who submits a protest may withdraw it by submitting to the City Clerk a writing request that the protest be withdrawn. The withdrawal of a protest shall contain sufficient information to identify the affected parcel and the name of the record owner or record customer who submitted both the protest and the request that it be withdrawn.
6. A charge protest proceeding is not an election.
7. To ensure transparency and accountability in the charge protest tabulation, protests shall constitute disclosable public records from and after the time they are received.

##### Tabulation of Protests

1. The City Clerk shall determine the validity of all protests. The City Clerk shall not accept as valid any protest if the City Clerk determines that any of the following conditions exist:
  - a. The protest does not identify a property served by the City.
  - b. The protest does not bear an original signature of a record owner of the parcel identified on the protest.
  - c. The protest does not state its opposition to the proposed charges.
  - d. The protest was not received by the City Clerk before the close of the public hearing on the proposed charges.
  - e. A request to withdraw the protest is received prior to the close of the public hearing on the proposed charges.
2. The City Clerk's decision that a protest is not valid or does not apply to a specific charge shall constitute a final action of the City and shall not be subject to any internal appeal.

3. A majority protest exists if written protests are timely submitted and not withdrawn by the record owners of a majority of the properties subject to the proposed charge.
4. At the conclusion of the public hearing, the City Clerk shall complete the tabulation of all protests received, including those received during the public hearing and shall report the results of the tabulation to the City Council upon completion. If review of the protests received demonstrates that the number received is manifestly less than one-half of the parcels served by the City with respect to the charge which is the subject of the protest, then the Clerk may advise the City Council of the absence of a majority protest without determining the validity of all protests.

ATTACHMENT E

RESOLUTION EXHIBIT "A"

PROPOSED SEWER CHARGE RATE SCHEDULE

Each parcel's sewer charge will be the sum of a Base Charge and a Flow Charge.

**Base Charge**

· Residential Customers (single-family and multi-family):  
\$252.45 per dwelling unit per year

· Non-Residential Customers:  
\$252.45 per parcel per year

**Flow Charge**

· Residential and most Non-Residential Customers:  
\$3.31 per hundred cubic feet of estimated annualized wastewater discharge

· "High-Strength" Non-Residential Customers (supermarkets with grinders and restaurants with on-site food preparation):  
\$6.44 per hundred cubic feet of estimated annualized wastewater discharge