

Proposed Utility Rate Increases for FY 2015/16

Notices were mailed to utility customers on April 24 to notify them of the public hearing scheduled for June 9 on the proposed utility rate increases for Fiscal Year 2015/16. As proposed, the average residential customer will see their overall monthly utility bill (water, sewer, and garbage) increase by \$14.35.

The proposed rate increase for water is 20 percent. The majority of the cost (approximately 60 percent) to operate the water utility is to purchase water. At the time staff developed Sunnyvale's proposed rates, the San Francisco Public Utilities Commission (SFPUC) and the Santa Clara Valley Water District (District) had announced proposed rate increases up to 30.7 percent and 31.5 percent respectively. More recently, the District has modified its proposed rate increase to 19.7 percent. Both utilities are scheduled to finalize their rates mid-May. If the final rates are substantially lower than originally proposed, staff will present Council with alternative water rate increase options as part of the presentation on rates for the June 9 public hearing.

The proposed rate increase is projected to collect enough revenue to maintain the water fund in a sustainable financial position. However, given the severe drought our state is facing, there is increased volatility in the rates charged by the City's water suppliers. Therefore, a pass-through surcharge provision is proposed again this year in order to recover any increase in wholesale water rates after the approval of the proposed rates.

Last week, there was a court decision that has the potential to impact cities that have a tiered water rate structure. The City of Sunnyvale does have tiered rates, and staff is closely monitoring the situation to see if further action is warranted. There may be appeals and Governor Brown has spoken out against the ruling. Regardless of the outcome, this case will be a deciding factor in how Sunnyvale's rates are structured in an upcoming cost of service study, scheduled for FY 2015/16.

The proposed rate increase for wastewater service is 8 percent. Wastewater rates are driven by needed improvements to the City's aging wastewater collection, treatment infrastructure and increases in operating and regulatory compliance costs. Specifically, the City has begun a significant effort to rehabilitate its aging sewer treatment plant, anticipated to be in excess of \$300 million over the next 10 to 15 years.

The proposed rate increased for solid waste and recycling services is 5 percent. Increases in rates are driven primarily by increases in collection and program costs as the City begins to implement its Zero Waste Strategic Plan. Other costs include required maintenance of the closed Sunnyvale landfill and street sweeping.

Proposition 218 requires that if the City receives written protests from a majority of the owners or account holders, the proposed rates will not become effective and the current rates will remain in place. A majority of protests exists if approximately 15,700 valid written protests are received from the properties subject to the proposed fee. Information on the protest process was included in the mailing.