



# City of Morro Bay

Morro Bay, CA 93442

(805) 772-6200

www.morro-bay.ca.us

November 9, 2012

To: Morro Bay City Council

From: Rob Livick, PE/PLS Public Services Director/City Engineer



Subject: Sewer Rate Fees for Proposed WWTP Project – Comparison of Sites

At the September JPA meeting the issue of sewer rates in regards to the two alternative sites was discussed. The Council and the Cayucos Sanitary District Board concluded that this was not a JPA item but was up to each governing body to set their own rates as they see fit. Based on a consensus from Council, staff has prepared this memo is to provide the Council an estimate of future sewer rates based on the two proposed locations for the WWTP upgrade project. The two sites currently included for this discussion are the existing site and the Righetti site located on Highway 41 (Identified as Site 16 in the fine screen analysis prepared by Dudek).

In summary the impact to the average single family residential home (5.25 ccf/month) is projected to be approximately \$57.15/month at the existing site to \$79.05/month at the Righetti Site after upgrade. The average restaurant's (31.75 ccf/month) sewer bill is projected to be between \$495 and \$684 per month respectively. For the average motel (64.87 ccf/month) is projected to be between \$608 and \$842 per month respectively.

The project cost estimates used for this rate estimate are based on the capital, soft and O&M costs developed and referenced in the Fine Screen Alternative Analysis and supplemental technical memoranda prepared for the two proposed sites. The project costs for the existing site are more refined due to the fact that more in depth analysis has been performed on the existing site, such as the geotechnical analysis and the preliminary design work prepared by Montgomery Watson Harza (MWH) (Facility Master Plan – Amendment #2). Conversely, the Righetti site cost projections are based on planning level estimates (within 30-percent) and are subject to further refinement if that site is selected as the preferred alternative. The rate estimates also include funding required to maintain and operate the collection system for the City.

**FINANCE**  
595 Harbor Street

**ADMINISTRATION**  
595 Harbor Street

**FIRE DEPT.**  
715 Harbor Street

**PUBLIC SERVICES**  
955 Shasta Avenue

**HARBOR DEPT.**  
1275 Embarcadero Road

**CITY ATTORNEY**  
595 Harbor Street

**POLICE DEPT.**  
870 Morro Bay Boulevard

**RECREATION & PARKS**  
1001 Kennedy Way

There are numerous methods that can be used to distribute costs and calculate sewer rates amongst the various user classifications and between fixed and flow based components. In order to provide the most accurate comparison to our current rates, the estimates provided are based on our current rate structure with no change to how the structure was established. This means the base charge and additional usage fees were not modified for this estimate and kept consistent with our current billing practice. The following table provides an estimate of potential rates compared to the current sewer rate:

<b>Simple rate increase assumption</b>	<b>Average Rate in 2011</b>	<b>Rate to Upgrade at the Existing Site (Additional 49%)</b>	<b>Rate to Upgrade at the Righetti (Additional 106%)</b>
Residential base charge	\$38.45	\$57.15	\$79.05
Non Residential minimum	\$40.55	\$60.27	\$83.36
Residential overage	\$3.44	\$5.11	\$7.07
Non Residential minimum	\$3.63	\$5.40	\$7.46
Non Residential maximum	\$10.48	\$15.58	\$21.55

Rate Table Notes:

1. Non-residential rate is calculated as: # of ccf x rate per ccf. The non-residential rate varies depending upon business category; with the minimum and maximum charge listed above.
2. Rate cited for Single and Multi-Family Residential is for 10 ccf, additional usage is billed at the overage fee per ccf cited in the table above
3. Rate cited for Single Family Condo is for 3 ccf, additional usage is billed at the overage fee cited above
4. ccf = 100 cubic feet

The actual rate implemented will be determined after a project site is selected and permitted, project costs are further refined and a detailed rate analysis is performed. It would be premature to implement a rate study until the coastal permitting process is resolved and the project description and costs are better defined. In addition, the rate structure and its components of the base charge and additional usage fees can be modified at the time that the rate study is brought before the Council for public input, consideration, and adoption.

The estimated project costs listed below for the two sites were used for rate estimation:

	<b>Current Site</b>	<b>Righetti Site</b>
<b>Capital</b>	\$30.18m	\$41.75m
<b>Annual O&amp;M</b>	\$1.61m	\$1.82m
<b>Soft Costs</b>	\$7.10m	\$20.03m
<b>Annual Morro Bay Sewer Collections</b>	\$1.45m	\$1.45m
<b>Rehabilitation</b>	\$1.60m	\$6.19m

The following assumptions were used in developing this estimate of potential rate impacts:

- Neither growth (development charges) nor loss in consumption at the WWTP were used in the rate estimation calculation, i.e. the project is financed entirely by the current user base.
- The share of treatment plant expenses for Morro Bay is 70 percent.
- The State Revolving Fund (SRF) Loan rate is half of the State General Obligation Bond Rate.
- The capital costs and soft costs (typically soft costs include: engineering and other professional fees, financing, permit fees, and insurance premiums) from the Fine Screen Analysis are capitalized over 20 years, while the annual O&M costs and collection system maintenance costs are *not* capitalized.
- The rehabilitation costs of \$6.19m of the current plant are capitalized in the Righetti site based on the Dudek Technical memorandum dated 9-17-2012. These costs have been left in 2006 dollars with Morro Bay's share being 70 percent of the costs.
- There has been no change in the value of money over time, but a higher interest rate will be charged in 2022.

c: Andrea Lueker, Rob Schultz, Jamie Irons, Christine Johnson, Rick Koon, Dan Carl