



## Agenda Report

20-479

Agenda Date: 7/7/2020

### REPORT TO COUNCIL

#### SUBJECT

Action to Approve a Water & Sewer Rate Assistance Program for Residential Customers [Council Pillar: Deliver and Enhance High Quality Efficient Services and Infrastructure]

#### BACKGROUND

The City of Santa Clara Water & Sewer Utilities Department (Utilities) provides a dependable supply of safe, potable drinking water and environmentally-sound wastewater collection, treatment, and disposal. Utilities provides services to approximately 26,000 customer accounts in the City. Utilities charges customers for providing the potable water and sanitary sewer services to pay for operations and maintenance (O&M) and capital improvement program (CIP) costs for each of the utilities.

Since 2019, the City has contracted with Black and Veatch, Inc. to prepare a Water and Sewer Rate Study to ensure that the rates charged by the Utilities using the Cost of Service model complied with applicable laws and adhered to industry best practices. City Council approves all water, sewer, and recycled water rates.

As an immediate step in response to the COVID-19 pandemic, Utilities has implemented a suspension on service disconnections and late fees for utility non-payment. These practices will apply to both residential and commercial customers and will remain in effect until further notice. To further support customers who may be impacted by the pandemic, the City will offer its most flexible payment plans to customers who indicate either an impact or hardship as a result of COVID-19. Utilities recognizes that some Santa Clarans are likely experiencing real economic hardship and could further benefit from assistance in paying their utility bills.

#### DISCUSSION

Certain provisions of Proposition 218, which California voters approved in November of 1996 as an amendment to the State Constitution, will not allow the use of rate revenues to subsidize such a program. Therefore, staff has proposed utilizing existing revenues from cell tower leases located at Utilities' facility sites to fund the Water & Sewer Rate Assistance Program (WSRAP).

Staff proposes to use an existing program structure established by Silicon Valley Power's Financial Rate Assistance Program (FRAP). Residents will be approved as low-income via an application, which requires backup documentation and will need to be recertified every two (2) years. This is the same set up as the FRAP program. Customers listed on the regular WSRAP will receive a discount on water and sewer bills of 25%.

Income requirements, measured in annual income per number of people in the household, are updated annually with data from the U.S. Department of Housing and Urban Development (HUD).

Current income requirements are in the table below.

# OF PEOPLE IN HOUSEHOLD	MAXIMUM MONTHLY INCOME BEFORE TAXES	MAXIMUM ANNUAL INCOME BEFORE TAXES
1	\$6,545.83	\$78,550
2	\$7,479.17	\$89,750
3	\$8,412.50	\$100,950
4	\$9,345.83	\$112,150
5	\$10,095.83	\$121,150
6	\$10,841.67	\$130,100
7	\$11,591.67	\$139,100
8	\$12,337.50	\$148,050

The 25% discount will only be applied to the first 12 hundred cubic feet (HCF) of billed water usage which is a normal household water use. The discount on the sewer charge will be fixed as residential customers are charged a flat rate for sewer services. Based on FY 2020/21 rates, approved by Council on June 23, 2020, a resident using 12 HCF of water would be discounted \$19.29 and \$11.13 on their water and sewer charges, respectively, reducing their overall utility costs from \$121.69 to \$91.27, resulting in a total savings of \$30.42 per month.

### **ENVIRONMENTAL REVIEW**

The action being considered does not constitute a “project” within the meaning of the California Environmental Quality Act (“CEQA”) pursuant to CEQA Guidelines section 15378(b)(5) in that it is a governmental organizational or administrative activity that will not result in direct or indirect changes in the environment.

### **FISCAL IMPACT**

Funding of this program would be provided by existing and future revenue from cell tower leases on Utilities’ facility sites that are currently in the Water and Sewer Operating Funds. Historically, the water and sewer funds have received tower lease revenue of approximately \$50,000 each year, per fund. It should be noted that these revenues are General Fund funds and can alternatively be used for General Fund budget balancing purposes.

### **COORDINATION**

This report has been coordinated with the Finance Department and City Attorney’s Office.

### **PUBLIC CONTACT**

Public contact was made by posting the Council agenda on the City’s official-notice bulletin board outside City Hall Council Chambers. A complete agenda packet is available on the City’s website and in the City Clerk’s Office at least 72 hours prior to a Regular Meeting and 24 hours prior to a Special Meeting. A hard copy of any agenda report may be requested by contacting the City Clerk’s Office at (408) 615-2220, email [clerk@santaclaraca.gov](mailto:clerk@santaclaraca.gov) <<mailto:clerk@santaclaraca.gov>>.

**RECOMMENDATION**

Establish the Water and Sewer Rate Assistance Program and approve the use of cell tower lease revenue to fund discounts to residents pursuant to the ongoing availability of funds which will be evaluated after one year.

Reviewed by: Gary Welling, Director, Water and Sewer Utilities

Approved by: Deanna J. Santana, City Manager