CITY of BRISBANE

Joint City Council & Brisbane/Guadalupe Valley Municipal Improvement District Financing Authority Meeting Agenda

Thursday, April 20, 2023 at 7:30 PM ● Hybrid Meeting 50 Park Place, Brisbane, CA

The public may observe/participate in City Council meetings using remote public comment options or attending in person. City Council members shall attend in person unless remote participation is permitted by law. The City Council may take action on any item listed in the agenda.

TO ADDRESS THE COUNCIL

IN PERSON
Location: 50 Park Place, Brisbane, CA 94005, Community Meeting Room
Masking is not required but according to the California Department of Public Health guidelines, people at higher risk for severe illness should consider masking. To help maintain public health and safety, we respectively request that people not attend in-person if they are experiencing symptoms associated with COVID-19 or are otherwise ill and likely contagious (e.g., respiratory illnesses).

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Note: Callers dial *9 to "raise hand" and dial *6 to mute/unmute.

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Any writings that are received after the agenda has been posted but before 4pm of the day of the meeting will be available for public inspection at the front lobby in City Hall and on the internet (brisbaneca.org/meetings). Any writings that are received after 4pm of the day of the meeting will be available on the internet at the start of the meeting (brisbaneca.org/meetings), at which time the materials will be distributed to the Council.

7:30 P.M. CALL TO ORDER – PLEDGE OF ALLEGIANCE

ROLL CALL

A. Consider any request of a City Councilmember to attend the meeting remotely under the "Emergency Circumstances" of AB 2449

ADOPTION OF AGENDA

ORAL COMMUNICATIONS NO. 1

CONSENT CALENDAR

B. Approve Minutes of City Council Meeting of March 2, 2023

C. Approve Minutes of City Council Closed Session Meeting of April 6, 2023

D. Approve the Tai Chi Chuan Workshop featuring Master Yang Jun as a Co-sponsored Event

E. Adopt a Resolution Setting the Dates of Regular Meetings of the Brisbane/Guadalupe Valley Municipal Improvement District Financing Authority for Fiscal Year 2022/23

F. Adopt an Ordinance, Waiving Second Reading, Amending Various Sections of the Brisbane Municipal Code Concerning Building Efficiency Program

(It is being recommended to adopt an Ordinance Amending Various Sections of Chapter 15.77 of the Brisbane Municipal Code Concerning Building Efficiency Program, including the finding that the introduction and adoption of the Ordinance is not subject to further review under the California Environmental Quality Act (CEQA) because it is not a "project". (CEQA Guidelines, Section 15378 (b)(2))

CONTINUED PUBLIC HEARING

G. Consider Adoption of a Resolution for Water and Sewer Rate Increase

(This public hearing was continued from the City Council Meeting of April 6, 2023. To view the April 6th City Council Meeting and the corresponding staff presentation, visit: https://www.youtube.com/watch?v=BZNXoQ5MyoY. Council will consider a Resolution increasing the charges for water and sewer services and setting the discount rate for the city's low-income rate assistance plan at 25% for all services.)

NEW BUSINESS

H. Consider Introduction of an Ordinance Conforming Sewer Service and Water Service Charges to Charges Approved by City Council on April 20, 2023

STAFF REPORTS

I. City Manager's Report on Upcoming Activities

MAYOR/COUNCIL MATTERS

J. Countywide Assignments and Subcommittee Reports

- Fiscal & Administrative Polices Subcommittee Monday 4/3 Cunningham, O'Connell
- Affordable Housing Subcommittee Monday 4/10 Davis, Lentz

K. Written Communications

ORAL COMMUNICATIONS NO. 2

ADJOURNMENT

File Attachments for Item:

B. Approve Minutes of City Council Meeting of March 2, 2023

BRISBANE CITY COUNCIL

ACTION MINUTES

CITY COUNCIL MEETING

THURSDAY, MARCH 2, 2023

HYBRID MEETING, 50 PARK PLACE, BRISBANE, CA 94005

CALL TO ORDER AND PLEDGE OF ALLEGIANCE

Mayor Davis called the meeting to order at 7:30 P.M. and led the Pledge of Allegiance.

ROLL CALL

Councilmembers present: Councilmembers Cunningham, Lentz, Mackin, O'Connell and Mayor Davis

Councilmembers absent: None

Staff Present: City Manager Holstine, City Clerk Padilla, City Attorney McMorrow, Finance Director Yuen, Community Development Director Swiecki, City Engineer Breault, Parks and Recreation Director Leek, Senior Planner Johnson, Police Commander Garcia, Economic Development Director Bull, and Administrative Analyst Ibarra

A. Consider any request of a City Councilmember to attend the meeting remotely under the "Emergency Circumstances" of AB 2449

No requests were made to consider.

REPORT OUT CLOSED SESSION

City Attorney McMorrow also reported that at the Closed Session Special Meeting updates were provided to Council, legal counsel was given direction and no action was taken at Closed Session regarding Item D and Item E.

City Attorney McMorrow reported that updates were provided to Council, legal counsel was given direction and no action was taken at Closed Session regarding Item D.

ADOPTION OF AGENDA

Councilmember Mackin made a motion, seconded by Councilmember Cunningham, to adopt the agenda as it stands. The motion was carried unanimously by all present.

Ayes: Councilmembers Cunningham, Lentz, Mackin, O'Connell and Mayor Davis
Noes: None
Absent: None
Abstain: None

AWARDS AND PRESENTATION

B. Women's History Month

Mayor Davis read a Proclamation designating March 2023 as Women's History Month adding that the City of Brisbane City Council recognize the importance of Women's History Month as an opportunity to recognize and honor these brave, accomplished, and influential women who told – and continue to tell – our stories.

Vanessa Garcia owner of 7 Milehouse and author of the award winning book See You at the Seven: Stories from the Bay Area's Last Original Mile House, accepted the Proclamation.

ORAL COMMUNICATIONS NO. 1

Michele Salmon commented on the need to see butterfly habitat protection in the quarry development's environmental impact reports.

Dana Dillworth commented that the City needs better than a granite path connection to Bay Trail.

CONSENT CALENDAR

C. Accept Investment Report as of December 2022

D. Adopt an Ordinance, waiving second reading, amending Section 13.04.420 of Chapter 13.04 of the Brisbane Municipal Code pertaining to "Sewer System"

(Adoption of this Ordinance is not subject to further environmental review because it is not a project under the California Environmental Quality Act (CEQA). CEQA Guidelines, section 15378 (b) (2). The purpose of this ordinance is to update the municipal code chapter relating to joint sewer laterals.)

E. Support the Brisbane School District Board of Trustees decision to name the baseball field at Lipman Middle School in recognition of the Brisbane Lions Club

F. Update of Commercial Linkage Fee Nexus and Feasibility Study

(It is being recommended to authorize the City Manager to extend the scope of the City's current professional services agreement with ECONorthwest to include update of the 2015 commercial linkage fee nexus and feasibility study and authorize a one-time not to exceed amendment to the contract of $55,000)

Councilmember Lentz made a motion, seconded by Councilmember Cunningham, to adopt consent calendar Items C-F. The motion was carried unanimously by all present.

Ayes: Councilmembers Cunningham, Lentz, Mackin, O'Connell and Mayor Davis
Noes: None
Absent: None

Abstain: None

OLD BUSINESS

G. Sierra Point Open Space and Parks Master Plan Process Update

(Council will receive process update from consultant and provide additional direction to staff if needed)

Staff reported that CMG Landscape began their work in the Fall of 2022 by conducting a series of meetings with City staff and establishing a master planning subcommittee comprised of representatives from the Brisbane City Council, Parks and Recreation Commission, Open Space and Ecology Committee, Complete Streets Safety Committee, IDEA Committee, and Public Art Advisory Committee.

Willett Moss, Founding Partner of CMG Landscape Architecture, presented on the various draft Schemes. The schemes describe alternative character, program and experience scenarios for public consideration. The overarching framework integrates a more "naturalistic" approach from north to south, with a primarily "functional" environment that captures the marina facilities, Harbor Master's building and yacht club at the south.

Councilmember Cunningham questioned how the scope of the project changed. After more Council questions, the following public comments were made:

Quincy Bragg commented that the plan ignores the Marina.
Dana Dillworth commented that the schemes should not have features that the City already has.
Tom Heinz said he is disappointed what he has seen so far. He wants recreation not circulation.
W. Clarke Conway said sea-level rise is the issue with two issues being how to regulate the water in the lagoon and the Marina.
Anthony Walker commented that he supports the continuation of the plan and process.
Michele Salmon like what she saw as concept plans and wants a plan for the Marina.
Leesa Greenlee agreed that there are a lot of opportunities and the area is like a blank canvas.
Michael Barnes commented that bicycling is also recreation.
Paul Bouscal asked where in the Marina is the evacuation site and whether we can create a floating harbormaster office. He also added that we should take care of the habitats and the birds.
Ron Davis commented boaters wanted to be included and added we should be plan by starting with sea level rise.
Mitch Bull added that we should also be future proofing Sierra Point such as transportation mitigation (hover crafts and water taxis).
Nancy Lacsamana commented that we should consider all the public land.

City Clerk Padilla added that correspondence was received from Linda Dettmer about the plan should be from the original boundaries with parking needs and tenant needs addressed.

After a brief break, City Manager Holstine proposed to do the following:

Bring back to Council the Marina infrastructure plan for sea level rise issues
Bring back to Council a public participation plan for the Park planning
Bring back to Council a mapping of the subcommittees and how to bring back information to the Council

Councilmember Cunningham requested to make sure the plans are inclusive.

H. Consider Ample Battery's Proposed Temporary Lease of City-Owned Parking Spaces

e purpose of this item is to consider a proposal by Ample Battery to temporarily lease a limited number of city-owned

parking spaces at Sierra Point and the former Bank of America site to install EV battery changing stations. It is being recommended that the City Council authorize the City Manager to execute the lease agreement. Per the lease agreement, if approved, Ample will pay the City $2400/month for the Marina site and $1600/month for the Old County Road (OCR) site.)

Community Development Director Swiecki reported that in response to concerns raised at the November 2022 City Council meeting, the lease agreement has been modified to establish a fixed payment schedule based on the areas leased, not tied to the number of stations installed. The agreement has further been revised to specify hours of operation (8am to 8pm), explicitly define the operator's maintenance obligations, and clarify that ancillary improvements such as lighting and fencing would be subject to city review and approval.

After some clarifying questions of staff and applicant, Councilmember Mackin made the request to also add to the agreement that the lights will be downward facing and at the Old County Site tenant will not use the back parking lot.

After no public comment were made, Councilmembers Cunningham made the motion, seconded by Councilmember Lentz, to approve Ample Battery's Proposed Temporary Lease of City-Owned Parking Spaces and authorize the City Manager to execute the lease agreement with Councilmember Mackin's amendments regarding the downward facing lights and no use of the back parking lot at the Old County Site. The motion was carried unanimously by all present.

Ayes: Councilmembers Cunningham, Lentz, Mackin, O'Connell and Mayor Davis
Noes: None
Absent: None
Abstain: None

I. Second Reading to Consider SP-CRO Sierra Point Commercial District; Zoning Text Amendment 2022-RZ-4; Zoning text amendment to Title 17, Chapter 17.18 of the Brisbane Municipal Code (BMC) to update existing research and development use provisions and performance standards; and finding that this project is exempt from environment review under CEQA Guidelines Section 15183(a).

(This item was introduced at the 2/16/23 City Council Meeting. It is being recommended to receive the second reading and consider adoption of an ordinance amending Chapter 17.18 of the Brisbane Municipal Code, to update existing research and development use provisions and related performance standards.)

Community Development Director Swiecki reported that this ordinance was introduced at the regular City Council meeting held on February 16, 2023 and passed 3-2, with a modification to continue to have City Council serve as the reviewing authority for conditional use permits rather than the Planning Commission, for facilities that would exceed National Institute of Health (NIH) Biosafety Level 3.

City Council also directed staff to conduct additional outreach, through the City's Economic Development Director, to the Sierra Point biotechnology tenants regarding the proposed changes to the animal testing use provisions.

Economic Development Director Bull, reached out to several biotechnology companies in the City and there was no negative feedback. The companies did not see the policy as a problem.

Michele Salmon asked the Council to clarify what this policy is about.

After some Council discussion, Councilmember O'Connell made a motion, seconded by Councilmember Mackin, to a receive the second reading and adopt an ordinance amending Chapter 17.18 of the Brisbane Municipal Code, to update

existing research and development use provisions and related performance standards. The motion was carried unanimously by all present.

Ayes: Councilmembers Cunningham, Lentz, Mackin, O'Connell and Mayor Davis
Noes: None
Absent: None
Abstain: None

STAFF REPORTS

J. City Manager's Report on Upcoming Activities

City Manager Holstine briefly reported on the latest City news and upcoming events.

MAYOR/COUNCIL MATTERS

K. Update on Committee Recruitment

City Clerk Padilla received several applications for the committee recruitment for the Inclusion, Diversity, Equity and Accountability and the Public Art Advisory Committee. She will send out a scheduling poll to the Councilmembers to determine the date and time to interview the applicants.

L. Countywide Assignments and Subcommittee Reports

City Manager stated that the Open Space Ecology Committee (OSEC) requested to review and comment on the Quarry Project Development. Councilmembers O'Connell and Mackin, the liaisons to the OSEC Committee, agree that it would be helpful to get the Committee's feedback.

The Council reported on their assignments and subcommittee meetings.

M. Written Communications

Council received the following written communication from 2/17/23-3/2/23:

- Dana Dillworth (3/2/23) Images to support my Public Comments
- Steve Kerekes (3/2/23) Response to Emails
- Dana Dillworth (2/28/23) Submission to Sierra Point Open Space Consultant and council
- Nancy Tierney (2/27/23) local Sierra Club chapter wish to invite you to this upcoming webinar
- Elaine Straw (2/24/23) Comments and/or Suggestions

ORAL COMMUNICATIONS NO. 2

Michele Salmon commented that she was upset that the City is losing butterfly habitat to enable the quarry development.

Paul Bouscal commented to ask Recology to downturn their lights and stop light pollution. He also asked that the City purchase the 23 Club property for senior housing.

Richard Katowski is a 43-year resident and got evicted. He asked the City to help him secure housing in the City's Bridge Housing. Brisbane is his community.

ADJOURNMENT

Mayor Davis adjourned the meeting at 10:36 P.M.

_____
Ingrid Padilla, City Clerk

File Attachments for Item:

C. Approve Minutes of City Council Closed Session Meeting of April 6, 2023

BRISBANE CITY COUNCIL

ACTION MINUTES

BRISBANE CITY COUNCIL CLOSED SESSION MEETING

THURSDAY, APRIL 6, 2023

HYBRID MEETING, 50 PARK PLACE LARGE CONFERENCE ROOM, BRISBANE, CA

6:30 P.M. CLOSED SESSION

A. Approval of the Closed Session Agenda

B. Public Comment. Members of the public may address the Councilmembers on any item on the closed session agenda

C. Adjournment into Closed Session

D. CONFERENCE WITH LEGAL COUNSEL—PENDING LITIGATION
Government Code, Section 54956.9 (d) (1).
Number of Cases: One

- **City of Brisbane v. CA High-Speed Rail Authority (Superior Court of Sacramento County, Case No. 80004010)**

Mayor Davis called the meeting to order at 6:33 P.M.
Councilmember O'Connell made a motion, seconded by Councilmember Cunningham to approve the agenda as it stands. The motion was carried unanimously by all present.
Ayes: Councilmembers Cunningham, Lentz, Mackin O'Connell and Mayor Davis
Noes: None
Absent: None
Abstain: None

Mayor Davis adjourned the meeting into Closed Session.

REPORT OUT OF CLOSED SESSION

City Attorney McMorrow reported that updates were provided to Council, legal counsel was given direction and no action was taken at Closed Session regarding Item D.

ADJOURNMENT

The meeting was adjourned at 7:26 P.M.

_____
Ingrid Padilla, City Clerk

File Attachments for Item:

D. Approve the Tai Chi Chuan Workshop featuring Master Yang Jun as a Co-sponsored Event

CITY COUNCIL AGENDA REPORT

Meeting Date: 4/20/2023

From: Noreen Leek, Parks & Recreation Director

Subject: Application for Event Cosponsorship

Community Goal/Result
Community Building

Purpose
Support local non-profit organizations.

Recommendation
Approve the Tai Chi Chuan workshop featuring Master Yang Jun as a co-sponsored event.

Background
Brisbane Community Park has been the backdrop for Tai Chi Yuen to emphasize the importance and practice of health through a form of moving meditation. It not only has been their home and place of gathering and friendship building, but also their focus point for community outreach for the past 17 years.

Discussion
In their continuing effort to improve Tai Chi practice and skill, they are seeking a venue to host a Tai Chi Chuan workshop featuring Master Yang Jun. Master Yang is the 6th generation and a direct lineage of the Yang Family Style Tai Chi. The association is headquartered in Seattle and was founded in 1998 by Grand Master Yang- the grandfather. The mission is to promote health and longevity to mankind through Tai Chi Chuan.

The workshop will emphasize:

- Tai Chi Chuan - The philosophy of the art forms and its applications
- Gain understanding of the rudimentary tai chi forms
- Practice the tradition 103 forms of Yang Family Style Tai Chi
- Demonstration of advance techniques

They graciously request the Council's consideration to allow them to host this event in Brisbane for the community.

Fiscal Impact
The Tai Chi Yuen group qualifies under the Group III category for recreation facilities indoor use permits as a non-profit group serving Brisbane residents. Meeting the Group III requirements with their event open to the general public qualifies them for free use of the facility and waives the deposit requirement. They are requesting the City's support by allowing use of the Mission Blue Center and waiving the requirement to provide insurance.

Attachments

1. Cosponsorship Event Application

Noreen Leek, Parks & Recreation Director

Clay Holstine, City Manager

D.

CO-SPONSORSHIP EVENT APPLICATION

CITY OF BRISBANE, 50 Park Place, Brisbane, CA 94005
415 - 657-4320

1. ORGANIZATION INFORMATION

Organization: Tai Chi Yuen

Contact Person: Rose Yuen
Day Phone: 650 - 922-4602 (cell)
Evening Phone: 650 - 922-4602
Address: 27 upland DRIVE
South San Francisco
City of Residence: South San Francisco
Zip 94080

2. FACILITY

Facility Requested:

If Mission Blue Center, specify room (s)
Costanos Room (Dance Floor) ✓
Buckeye Room (Carpeted Room): ✓
Lupine Room (Conference Room):

Date and Time Requesting to Enter Facility:
10/14 & 10/15 - 8:30 AM
Date and Time Requesting to Leave Facility:
10/14 & 10/15 - 3:30 pm

3. Event Information

Date: 10/14 & 10/15 Day of Week: Sat & Sun # of Co-sponsored events this year
Starting Time of Event : 9:00 AM Ending Time of Event: 3:00 pm
✓ Non Profit for Charity ___ For Profit ___ Fundraiser for Organization Use
✓ Number attending under 18 years old: 0 18 - 20 years: 0 21+ years: 60
N/A Requesting Promotional Support

What is purpose of event: A Tai chi chuan workshop. Promote health thru the practice of the art. • Tai chi chuan - The Philosophy of the art, forms & its application - • Gain understanding of the rudimentary tai chi forms • Practice the tradition 103 forms of Yang family tai chi. • Demo of advance techniques.

Will you need special sitting, tables, chairs, risers, etc.? (Yes) or No (please circle) Please explain if yes.
We would like to have chairs & tables to use for breaks & lunch. We will look into getting a quote for a riser (stage) for demo purpose, if it is affordable.

Will event require sound equipment? Microphone Sound Technician? No

Will event require theatrical lighting equipment? No Lighting Technician? No

Will event require promotional support? ___ Yes ✓ No If Yes, what is requested? ___

5. ALCOHOLIC BEVERAGES*

Will alcoholic beverages be served? Yes • (No ž) Sold? Yes ž No ž

If selling alcohol, your group must obtain an Alcoholic Beverage Permit.

Please attach a copy of the permit.

ABC permits may be obtained from:

The State of California Alcoholic Beverage Control Department
185 Berry Street
San Francisco, CA 94107
415 / 557 - 3660

*Full Liquor Liability: If liquor, beer or wine is available for consumption and money is transacted in any form (i.e. for donation, for a ticket, for a meal, for entry to the event, for the beverage) then full liquor liability premiums are necessary.

6. ADMISSION FEES AND SALES*

Will there be an admission fee or booth fee?: Yes ž (No ž) Amount of Fee: _____

Will there be sales of novelties or goods?: Yes ž (No ž)

Will there be sales of food?: Yes ž (No ž)

(If yes, a Permit To Operate is required by the California Health and Safety Code. Applications can be obtained from the Brisbane Parks & Recreation Department 415 / 467-6330)

Does your group have a City of Brisbane License?: Yes ž (No ž)

* Additional insurance is required for exhibitors, non-food sales concessionaires and food sales concessionaires.

I have read and understand the Policy and Procedures for Event Sponsorship and hereby agree to comply with its content. I understand that failure to observe these regulations or City, State or Federal law will result in cancellation of my event and co-sponsorship status for future events.

Applicant's Signature _____ Date 2/14/2023

File Attachments for Item:

E. Adopt a Resolution Setting the Dates of Regular Meetings of the Brisbane/Guadalupe Valley Municipal Improvement District Financing Authority for Fiscal Year 2022/23

BRISBANE/GUADALUPE VALLEY MUNICIPAL IMPROVEMENT DISTRICT FINANCING AUTHORITY AGENDA REPORT

Meeting Date: 4/20/2023

From: Carolina Yuen, Finance Director

Subject: Adopt a Resolution Setting the Dates of Regular Meetings of the Brisbane/Guadalupe Valley Municipal Improvement District Financing Authority for Fiscal Year 2022/23

Community Goal/Result
Community Building
Fiscally Prudent

Purpose
Ensure the public has notice of meetings of the Brisbane/Guadalupe Valley Municipal Improvement District Financing Authority (Financing Authority). The Financing Authority can only take actions to sell bonds during regularly scheduled meetings.

Recommendation
Approve the attached resolution setting the schedule for regular meetings of the Financing Authority for the remainder of Fiscal Year 2022/23.

Background
The Financing Authority was created as an agency to allow the City to issue and sell lease revenue bonds. It was created after the dissolution of the Brisbane Redevelopment Agency, which dissolved the City's previous Financing Authority after changes in state law.

Discussion
At the April 3, 2023, meeting of the Fiscal and Administrative Policies Subcommittee of the Brisbane City Council (City Council), staff was directed to present the possible sale of a bond to reimburse the City's General Fund for improvements at the City Hall Annex site (25 Park Place, Brisbane, CA). Bond documents and the issuance and sale of bonds can only be approved at regularly scheduled Financing Authority meetings. This resolution establishes the Financing Authority's regularly scheduled meetings for the balance of the Fiscal Year 2022/23.

The resolution calls for scheduled meetings to be held in conjunction with City Council meetings on May 4th, May 18th, and June 1st of 2023. This will allow the City Council and the Financing Authority to consider and, if directed, take action on a bond for City Hall Annex improvements.

Fiscal Impact
There is no fiscal impact for setting regular meetings of the Financing Authority.

Measure of Success
The City and the Financing Authority can help ensure long-term financial stability by allowing needed projects to be paid over time as revenues are available.

Attachments
1. Resolution of the Board of Directors of the Brisbane/Guadalupe Valley Municipal Improvement District Financing Authority Establishing Regular Meeting Dates for the remainder of Fiscal Year 2022/23.

Carolina Yuen, Finance Director

Clay Holstine, City Manager

BRISBANE/GUADALUPE VALLEY MUNICIPAL IMPROVEMENT DISTRICT FINANCING AUTHORITY

RESOLUTION NO. _____

RESOLUTION OF THE BOARD OF DIRECTORS OF THE BRISBANE/GUADALUPE VALLEY MUNICIPAL IMPROVEMENT DISTRICT FINANCING AUTHORITY ESTABLISHING REGULAR MEETING DATES FOR BALANCE OF FY 2022/23

WHEREAS, pursuant to the provisions of the Joint Exercise of Powers Act, codified in Government Code Title 1, Division 7, Chapter 5, Article 1, section 6500 *et seq.* , the City of Brisbane, California (City), and the Guadalupe Valley Municipal Improvement District entered into a joint exercise of powers agreement (Agreement) creating the Financing Authority (Authority); and

WHEREAS, the Board of Directors of the Authority (Board) desires to establish regular meeting dates for the Authority for the remainder of Fiscal Year 2022/23;

NOW, THEREFORE, the Board resolves:

Section 1. Regular Meeting Dates. The Authority shall hold regular meetings on May 4, 2023, May 18, 2023, and June 1, 2023. On such dates the meeting shall be held in conjunction with the City Council meetings of the City and held in the City Council Chambers, City of Brisbane City Hall, 50 Park Place, Brisbane, California. If no action is required of the Authority on any such dates, those meetings may be cancelled.

Section 2. Effective Date. This Resolution shall take effect from and after its adoption.

I hereby certify that the foregoing Resolution was adopted by the Board of Directors of the Brisbane/Guadalupe Valley Municipal Improvement District Financing Authority at a regular meeting of the Board of Directors duly noticed and held on April 20, 2023, by the following vote:

Ayes: Board Members: _____

_____

Notes: Board Members: _____

Absent: Board Members: _____

_____

Secretary

File Attachments for Item:

F. Adopt an Ordinance, Waiving Second Reading, Amending Various Sections of the Brisbane Municipal Code Concerning Building Efficiency Program

(It is being recommended to adopt an Ordinance Amending Various Sections of Chapter 15.77 of the Brisbane Municipal Code Concerning Building Efficiency Program, including the finding that the introduction and adoption of the Ordinance is not subject to further review under the California Environmental Quality Act (CEQA) because it is not a "project". (CEQA Guidelines, Section 15378 (b)(2))

F.

CITY COUNCIL AGENDA REPORT

Meeting Date: April 20, 2023

From: Adrienne Etherton, Sustainability Manager

Subject: Building Efficiency Program Ordinance Amendments

Recommendation

Adopt an ordinance, waiving second reading, amending Various Sections of Chapter 15.77 of the Brisbane Municipal Code Concerning Building Efficiency Program.

Background

This ordinance was introduced at the regular City Council meeting held on April 6, 2023, and was passed unanimously with no requested changes.

Attachments

1. April 6, 2023 staff report, including the introduced ordinance and redline version.

Adrienne Etherton, Sustainability Manager

Randy Breault, Public Works Director

Clay Holstine, City Manager

ATTACHMENT 1

CITY COUNCIL AGENDA REPORT

Meeting Date: April 6, 2023

From: Adrienne Etherton, Sustainability Manager

Subject: Building Efficiency Program Ordinance Amendments

Community Goal/Result

Ecological Sustainability - Brisbane will be a leader in setting policies and practicing service delivery innovations that promote ecological sustainability.

Purpose

To amend the ordinance which established the Building Efficiency Program based on current needs, understanding and best practices.

Recommendation

Introduce an Ordinance Amending Various Sections of Chapter 15.77 of the Brisbane Municipal Code Concerning Building Efficiency Program, including the finding that the introduction and adoption of the Ordinance is not subject to further review under the California Environmental Quality Act (CEQA) because it is not a "project". (CEQA Guidelines, Section 15378 (b)(2)).

Background

In late 2019, the City Council adopted Chapter 15.77 of the Brisbane Municipal Code thereby establishing the Brisbane Building Efficiency Program. The ordinance put in place annual energy and water benchmarking requirements for local buildings 10,000 square feet or larger with the first reports due in May 2021 for calendar year 2020 building data. In addition, the ordinance established "Beyond Benchmarking" requirements through which owners of buildings covered by the program must either demonstrate that the buildings are already high-performing (i.e. highly energy and water efficient) or the owners must take actions to improve the building's efficiency, including performing energy and water audits followed by improvements, retro-commissioning, or green lease agreements between tenants and landlords (where applicable).

The Beyond Benchmarking requirements start in 2023 for commercial buildings and 2024 for industrial and multi-family buildings. Accordingly, in 2022 sustainability staff began working on additional guidance and documentation for the Beyond Benchmarking phase. Through this process, staff determined that certain aspects of the original ordinance posed challenges for implementation and is recommending these clean-up amendments to ensure that building owners and representatives are able to comply with both the letter and the spirit of the law and that staff is able to efficiently and effectively administer the ordinance.

Discussion

The recommended changes to the code fall into four areas:

1. Updating and clarifying Beyond Benchmarking reporting timelines, including incorporating interim steps and ensuring that owners of the buildings have time to see the results from one cycle before moving into the next.
2. Providing more options for water use efficiency, including an option to demonstrate high-performance status by the water use intensity being 25% better than the property type median so already efficient buildings can be recognized as such, and referencing a common water audit guideline.
3. Updating the energy performance metric from GHG intensity to Energy Use Intensity, to match the readily available metrics in both Energy Star Portfolio Manager (the free benchmarking tool used by building owners/representatives) and TouchstoneIQ (the program management software used by City staff) and align with industry best practice.
4. Changing the City notification timeline so that staff may review and incorporate Energy Star Portfolio Manager's annual platform update and recommended metrics, generally in late February, before the start of the reporting cycle.

Fiscal Impact

There is no cost associated with the proposed revision.

Environmental Determination

Introduction (and adoption) of this Ordinance is not subject to further environmental review under the California Environmental Quality Act (CEQA) because it is a continuing administrative activity of the City, i.e., general policy and procedure making, and therefore it is not a "project" under CEQA. (CEQA Guidelines, Section 15378 (b)(2)).

Measure of Success

Building Efficiency Program participants can comply with the requirements and staff is able to effectively administer the Program.

Attachments

A. Proposed Ordinance
B. Chapter 15.77 (BBEP) Ordinance - Redline

Adrienne Etherton, Sustainability Manager

Randy Breault, Public Works Director

Clay Holstine, City Manager

ATTACHMENT A

ORDINANCE NO. - - -

AN ORDINANCE OF THE CITY OF BRISBANE AMENDING SECTIONS 15.77.40, 15.77.070, 15.77.080, AND 15.77.100 OF CHAPTER 15.77 OF THE BRISBANE MUNICIPAL CODE CONCERNING BUILDING EFFICIENCY PROGRAM

The City Council of the City of Brisbane hereby ordains as follows:

Section 1: Section 15.77.040 of the Brisbane Municipal Code is revised to read as follows:

"15.77.040 - Definitions.

The following words and phrases, whenever used in this chapter, shall be construed as defined in this section unless the context indicates otherwise. Words and phrases not defined here shall be construed as defined in BMC Chapters 15.08, 15.70, 15.80, 15.81, and 15.82.

A. "Base building systems" means the systems and subsystems of a building that use or distribute energy and/or water and/or impact the energy and/or water consumption, including the building envelope; the heating, ventilating and air-conditioning (HVAC) systems; air conveying systems; electrical and lighting systems; domestic hot water systems; water distribution systems; plumbing fixtures and other water-using equipment; landscape irrigation systems and water features; energy generation and storage equipment; and electric vehicle charging infrastructure. Base building systems shall not include:

1. Systems or subsystems owned by a tenant or for which a tenant bears full maintenance responsibility, that are within the tenant's leased space and exclusively serve such leased space, and for which the tenant pays all the energy and water bills according to usage and demand as measured by a meter or sub-meter.

2. Systems or subsystems owned by a residential unit owner that exclusively serve the residential unit of that owner.

B. "Baseline year" means the calendar year that a building shall use as its past energy and water usage year when comparing to its "reporting year" usage. For the beyond benchmarking cycle 1, the baseline year is the first year of in-compliance benchmarking, which is the calendar year data of 2020 reported in 2021 unless reporting was not completed that year or had unresolved data quality issues. In subsequent beyond benchmarking cycles, the baseline year resets to the calendar year evaluated in the previous beyond benchmarking cycle. The following table reflects the data and baseline years for a typical commercial property during the first three (3) beyond benchmarking cycles:

	Baseline	Calendar Evaluation Year Data to be compared against Baseline	Year 1 – (Reporting Year) - Performance Verification Report or Audit due	Year 3 – Check-in	Year 5 – RCx Report, Improvement Report, or Green Lease Attestation due

Cycle 1	2020	2022	2023	2025	2027
Cycle 2	2022	2028	2029	2031	2033
Cycle 3	2028	2034	2035	2037	2039

C. "Benchmarking report" means a report, generated by ENERGY STAR® Portfolio Manager, summarizing the annual energy and water performance of a building.

D. "Commercial property" means a property that is defined by ENERGY STAR® Portfolio Manager with the exception of the property types listed on Portfolio Manager as multifamily or manufacturing/industrial plants. Commercial property includes warehouses and distribution centers.

E. "Covered building" means the current definition of "covered building" as set forth in state regulations.

F. "Decarbonized building" means any building that is highly energy-efficient and produces onsite or procures carbon-free renewable energy in an amount sufficient to offset the annual carbon emissions associated with operations.

G. "Demand flexibility" means the capability provided by building controls or distributed energy resources to reduce, shed, shift, modulate or generate electricity. Energy flexibility and load flexibility are often used interchangeably with demand flexibility.

H. "Department" means the City of Brisbane's Department of Public Works.

I. "Disclosable buildings" means the most current definition of "disclosable buildings" as set forth in state regulations that have ten thousand (10,000) square feet or more of gross floor area.

J. "Distributed Energy Resources (DER)" means distribution-connected distributed generation resources, energy efficiency, energy storage, electric vehicles, and demand response technologies, that are supported by a wide-ranging suite of California Public Utilities Commission policies.

K. "Energy" means electricity, natural gas, steam, heating oil, or other products sold by a utility to a customer of a building, or renewable on-site electricity generation, for purposes of providing heat, cooling, lighting, water heating, or for powering or fueling other end-uses in the building and related facilities.

L. "Energy audit" means a systematic evaluation to identify potential modifications and improvements to a building's equipment and systems which utilize energy in order to optimize a building's overall energy performance.

M. "ENERGY STAR® Portfolio Manager" means the United States Environmental Protection Agency's online tool for measuring, tracking, and managing a building's energy, water, and greenhouse gas emission data, and benchmarking the performance of the building.

N. "ENERGY STAR® Certified" means a building which has earned an ENERGY STAR® Score of seventy-five (75) or higher, indicating that it performs better than at least seventy-five percent (75%) of similar buildings nationwide and the data has been verified by a professional engineer or registered architect.

O. "ENERGY STAR® Score" means a number ranging from one to one hundred (100) assigned by the U.S. EPA's Energy Star Portfolio Manager as a measurement of a building's energy efficiency, normalized for a building's characteristics, operations, and weather, according to methods established by the U.S. EPA's ENERGY STAR® Portfolio Manager.

P. "Energy Use Intensity" (EUI) as defined by the U.S. EPA means all energy consumption divided by the gross floor area. A normalized EUI is adjusted for property characteristics, site energy factors and source energy factors as determined by the U.S. EPA's ENERGY STAR® Portfolio Manager.

Q. "Grid-Interactive Efficient Building (GEB)" means an energy efficient building with smart technologies characterized by the active use of distributed energy resources to optimize energy use for grid services, occupant needs and preferences, and cost reductions in a continuous and integrated way.

R. "Gross floor area" means the total building square footage, as measured between the exterior walls of the building(s). Open-air stairwells, breezeways, and other similar areas that are not fully enclosed should not be included in the gross floor area. Gross floor area for a commercial property shall include all finished areas inside the building(s) including supporting areas, lobbies, tenant areas, common areas, meeting rooms, break rooms, atriums (count the base level only), restrooms, elevator shafts, stairwells, mechanical equipment areas, basements, storage rooms. Gross floor area for an industrial property shall include all space within the building(s) at the plant, including production areas, offices, conference rooms, employee break rooms, storage areas, mechanical rooms, stairways, and elevator shafts. Gross floor area for a multifamily property shall include all buildings that are part of a multifamily community or property, including any management offices or other buildings that may not contain living units, all fully-enclosed space within the exterior walls of the building(s), including living space in each unit (including occupied and unoccupied units), interior common areas (e.g. lobbies, offices, community rooms, common kitchens, fitness rooms, indoor pools), hallways, stairwells, elevator shafts, connecting corridors between buildings, storage areas, and mechanical space such as a boiler room.

S. "Industrial property" means a property that is defined by ENERGY STAR® Portfolio Manager as a manufacturing/industrial building used for producing, manufacturing, or assembling goods and includes, but is not limited to, a main production area that has high-ceilings and contains heavy equipment used for assembly line production.

T. "Multifamily property" means any multifamily building that contains two (2) or more residential living units. This includes high-rise buildings (ten (10) or more stories), mid-rise buildings (five (5) to nine (9) stories), or low-rise buildings (one to four (4) stories).

U. "Qualified auditor" means an individual whose job duties do not regularly occur at the property, who possesses such qualifications as determined by the department to perform or directly supervise individuals performing audits and to certify audit reports required by this chapter. A qualified auditor may be a contractor hired by the reporting entity, or an employee of a utility, so long as such person has two (2) or more years of auditing experience and possesses one or more of the following certifications:

1. Accredited certification that has been designated a "Better Buildings Recognized Program" by the U.S. Department of Energy ("DOE") meeting the criteria set forth in the Better Buildings Workforce Guidelines (BBWG) for Building Energy Auditors or Energy Managers;

2. Certified Energy Auditor (CEA) or Certified Energy Manager (CEM), issued by the Association of Energy Engineers (AEE);

3. Certified Facilities Manager (CFM), issued by the International Facility Management Association (IFMA);

4. High Performance Building Design Professional (HBDP) or Building Energy Assessment Professional (BEAP), issued by the American Society of Heating, Refrigerating, and Air-Conditioning Engineers (ASHRAE);

5. For audits of multifamily residential buildings only, a Multifamily Building Analyst (MFBA), issued by the Building Performance Institute (BPI);

6. Professional Engineer (PE) registered in the State of California;

7. System Maintenance Administrator (SMA) or System Maintenance Technician (SMT), issued by Building Owners and Managers Institute (BOMI) International; or

8. Additional qualified certifications as the Director of the Department deems appropriate.

V. "Qualified retro-commissioning professional" means an individual whose job duties do not regularly occur at the property, who possesses such qualifications as determined by the department to perform or directly supervise individuals performing the retuning work (i.e. adjusting system control parameters) required by this chapter. A qualified retro-commissioning professional may be a contractor hired by the reporting entity or an employee of a utility so long as such person has two (2) or more years of commissioning or retuning experience and possesses one or more of the following certifications:

1. Accredited Commissioning Process Authority Professional (ACPAP) approved by the University of Wisconsin;

2. Accredited certification that has been designated a "Better Buildings Recognized Program" by the Department of Energy meeting the criteria set forth in the Better Buildings Workforce Guidelines (BBWG) for Building Commissioning Professionals;

3. Certified Building Commissioning Professional (CBCP) or Existing Building Commissioning Professional (EBCP), issued by the Association of Energy Engineers (AEE);

4. Certified Commissioning Professional (CCP), issued by the Building Commissioning Association (BCA);

5. Certified Commissioning Authority (CxA) or Certified Commissioning Technician (CxT), issued by the AABC Commissioning Group (ACG);

6. Certified professional certified by the National Environmental Balancing Bureau (NEBB);

7. Commissioning Process Management Professional (CPMP), issued by American Society of Heating, Refrigerating, and Air-Conditioning Engineers (ASHRAE);

8. Professional Engineer (PE) registered in the State of California; or

9. Additional qualified certifications as the Director of the Department deems appropriate.

W. “Reporting Year” means the year in which a benchmarking or other report is submitted, based on the prior calendar year’s data. For instance, for Reporting Year 2023, a building owner will submit energy and water data for calendar year 2022 (January 1 – December 31) with a deadline of May 15, 2023.

X. "Retro-commissioning" means a systematic process for optimizing existing systems relating to building performance through the identification and correction of deficiencies in such systems.

Y. "Retro-commissioning measures" means work relating to retro-commissioning such as repairs, maintenance, adjustments, changes to controls or related software, or operational improvements that optimize a building's energy and/or water performance.

Z. "Retrofit Measures" means upgrades or alterations of building systems involving the installation of energy and/or water efficiency and DER technologies that reduce energy and/or water consumption and improve the efficiency of such systems.

AA. "Solar thermal system" means the process of utilizing energy from the sun through the use of collectors to produce heat for a variety of applications including, but not limited to, heating water, providing process heating, space heating, absorption cooling and any combination of such applications.

BB. "Solar photovoltaic" means a technology that uses a semiconductor to convert sunlight directly into electricity.

CC. "Stationary Battery Electric Storage System (BESS)" means a rechargeable energy storage system consisting of electrochemical storage batteries, battery chargers, controls, and associated electrical equipment designed to provide electrical power to a building, designed for service in a permanent location.

DD. "U.S. EPA Water Score" means a number ranging from one to one hundred (100) assigned by the U.S. EPA's ENERGY STAR® Portfolio Manager, and available to existing multifamily properties with twenty (20) or more units, as a measurement of a whole building's water use, normalized for that building's characteristics, operations, and weather, according to the methods established by the U.S. EPA's ENERGY STAR® Portfolio Manager.

EE. "Water audit" means a systematic evaluation to identify potential modifications and improvements to a building's equipment and systems which utilize water in order to optimize a building's overall water performance.

FF. "Water Use Intensity" (WUI) as defined by the U.S. EPA means all water consumption divided by the gross floor area (not including parking or irrigated area) and is not adjusted for any of the building use details (number of workers, weekly hours, etc.).”

Section 2: Section 15.77.070 of the Brisbane Municipal Code is revised to read as follows:

“15.77.070 - Beyond benchmarking performance path.

A. Owners of properties that are highly efficient, have demonstrated increased efficiency, or have adopted distributed energy resources may establish satisfactory energy and water efficiency by providing the documentation described below to the department in such a form as required by the department that demonstrates the following:

1. The building is new and has been occupied for less than five (5) years from its first compliance due date, based on its temporary certificate of occupancy or certificate of occupancy; or has achieved one or more of the energy standards and one or more of the water standards as set forth below for at least three (3) of the five (5) calendar years preceding the building's compliance due date.

2. Energy standards: The building has the latest version of the Leadership in Energy and Environmental Design (LEED™) existing buildings operations and maintenance certification; or qualified auditor or retro-commissioning professional certified at least at least one of the following:

a. The building has received an ENERGY STAR® score of eighty (80) or greater from the U.S. EPA; or

b. The building has improved its ENERGY STAR® score by twenty (20) points or more relative to its performance during the baseline year; or

c. The building has a weather normalized site energy use intensity as calculated by the benchmarking tool that is twenty-five percent (25%) below the calculated median for that property type; or

d. The building has reduced its weather normalized site energy use intensity by at least twenty percent (20%) relative to its performance during the baseline year.

3. If a building has installed one or more of the following distributed energy resources (DERs):

a. Solar Photovoltaic. An onsite solar photovoltaic system has been installed in accordance with the California Building Standards Code (California Code of Regulations, Title 24) in effect at the time of installation and currently operational. The greater of the two (2) following options satisfy the solar photovoltaic measure:

i. A minimum amount of solar photovoltaic capacity of five (5) kilowatts per Brisbane Municipal Code Section 15.82.050; or

ii. Sufficient capacity must be installed to offset equal to or greater than twenty percent (20%) of their annual electricity consumption, as calculated by ENERGY STAR® Portfolio Manager, or otherwise determined by the city department.

b. Stationary Electric Storage. An onsite stationary battery electric storage system (BESS) has been installed in accordance with the California Building Standards Code (California Code of Regulations, Title 24) in effect at the time of installation and currently operational.

c. Grid-interactive Efficient Building (GEB). The building currently has the ability to interact with the distribution system operator's grid to optimize its energy consumption and/or dispatch. GEBs are energy efficient buildings with smart technologies characterized by the active use of distributed energy resources to optimize energy use for grid services, occupant needs and preferences, and cost reductions in a continuous and integrated way.

d. Decarbonized Building. The building is highly energy-efficient and produces onsite or procures carbon-free renewable energy in an amount sufficient to offset the annual carbon emissions associated with operations. Through a combination of the above strategies, demonstrate through EPA Portfolio Manager that the building is decarbonized in the current reporting year.

4. Water standards: A qualified auditor or qualified retro-commissioning professional has certified at least one of the following:

a. The building has received a U.S. EPA water score of eighty (80);

b. The building has improved its U.S. EPA water score by twenty (20) points or more relative to its performance during the baseline year;

c. The building has reduced its water use intensity by at least twenty percent (20%) relative to its performance during the baseline year.

d. The building has a water use intensity that is twenty-five percent (25%) below the calculated median for that property type as determined by the Department.

B. If a building has achieved both energy and water standards, the property owner is only required to submit an ENERGY STAR® performance verification report for that reporting year. If the building only meets one of the standards, the property owner shall submit a performance verification report for the satisfactory standard and shall comply with this section by completing one of two (2) prescriptive pathway options for the unmet standard as set forth in subsection G of section 15.77.080.

C. After the establishment of a DOE-recognized standard for a water auditor, the director may adopt the qualifications of the DOE-recognized standard with modifications as the director deems to be appropriate."

Section 3: Section 15.77.080 of the Brisbane Municipal Code is revised to read as follows:

"15.77.080 - Beyond benchmarking prescriptive path.

A. If a building does not meet performance standards set forth in 15.77.070, a property owner shall meet the requirements of this chapter through one of two (2) alternative means:

1. For properties between ten thousand (10,000) and thirty-nine thousand nine hundred ninety-nine (39,999) square feet:

a. Conducting an asset score full report described in Section 15.77.080 B; and either

b. Performing retro-commissioning described in Section 15.77.080 D; or

c. Adopting improvement measures described in subsection F of Section 15.77.080; or

d. Adopting a green lease as described in subsection H of Section 15.77.080.

2. For properties forty thousand (40,000) square feet and more:

a. Conducting a minimum of an ASHRAE audit Level II audit described in Section 15.77.080 B (Level III audits are also acceptable); and either

b. Performing retro-commissioning described in Section 15.77.080 D; or

c. Adopting efficiency and/or DER Improvement Measures described in subsection F of Section 15.77.080; or

d. Adopting a green lease as described in subsection H of Section 15.77.080.

B. Energy and Water Audit Standards. Energy and water auditing standards shall comply with both of the following:

1. Energy Auditing.

Energy audits required by this chapter shall meet or exceed either the Department of Energy (DOE) asset score standards, American Society of Heating Refrigerating and Air-Conditioning Engineers (ASHRAE) Level II audit standards in conformance with the ASHRAE Standard 211-2018 (or latest version) "Standard for Commercial Building Energy Audits" and shall be performed under the direct supervision of a qualified auditor or qualified retro-commissioning professional. The DOE audit template shall be used to transmit data to the city for compliance with energy auditing and retro-commissioning. The city will publish an audit template on the building energy asset score website with standardized data collection fields to capture information about base energy systems and recommended retrofit opportunities. Section 15.77.080 A describes the applicability of each of the following audit standards based on gross floor area:

a. Asset Score Full.

i. Collect building data: Use the data collection form "full" input mode version to gather information about the building's physical characteristics.

ii. Review the data collection priority map to help focus on the most important building data given the building's use type and climate zone.

Iii. Enter the data on the audit template supplied on the DOE asset score website for the Brisbane Building Efficiency Program.

b. ASHRAE Level II Audit.

i. Energy audits required by this chapter shall meet or exceed Level II audit standards in conformance with the American Society of Heating Refrigerating and Air-Conditioning Engineers (ASHRAE) Standard 211-2018 "Standard for Commercial Building Energy Audits" and shall be performed under the direct supervision of a qualified auditor.

2. Water Auditing.

Water audits shall be performed in accordance with industry standard practices, including the latest version of the DOE Water Audit Guidance for Commercial Buildings or ASHRAE Guideline 0.2 Commissioning Process for Existing Systems and Assemblies, unless the department directs

the use of the latest version of ASHRAE Standard 230 the existing building commissioning process (EBCx process), and under the direct supervision of a qualified auditor or qualified retro-commissioning professional. The water audit of the base building systems shall include, at a minimum, the following:

a. Potable water distribution systems;

b. Landscape irrigation systems;

c. Water reuse systems; and

d. Water features.

C. Energy and Water Audit Report. A report of the energy and water audit, completed and signed by a qualified auditor, shall be maintained by the property owner as required in Section 15.77.090. The report shall meet the requirements of subsection 15.77.080 B and shall include, at a minimum, the following:

1. The date(s) that the audit and retro-commissioning were performed;

2. Identifying information on the auditor and retro-commissioning provider;

3. Information on the base building systems and equipment;

4. A list of all retrofit measures that can reduce energy use and/or cost of operating the building, costs of each measure, and an estimate of the energy savings associated with each measure;

5. A list of all retrofit measures that can reduce water use and/or cost of operating the building; costs of each measure; and an estimate of the water savings associated with each measure;

6. Functional performance testing reports;

7. Operational training conducted;

8. Inventory of existing, planned, or desired electric vehicle (EV) charging stations on the property;

9. Inventory of existing, planned, or desired solar photovoltaic, solar water heating, other energy generation equipment;

10. Inventory of existing, planned, or desired stationary battery electric storage system or other energy storage equipment;

11. Inventory of existing, planned or desired building energy end-use electrification retrofits including electrical panel upgrades;

12. Inventory of existing, planned or desired water systems and equipment; and

13. Acknowledgment that an asset score full, or ASHRAE Level II audit was conducted.

D. Energy and Water Retro-Commissioning Standards.

1. Energy retro-commissioning shall be performed in accordance with industry standard practices, including the latest version of ASHRAE Guideline 0.2 Commissioning Process for Existing Systems and Assemblies. The department may consider updating the ASHRAE Guideline 0.2 with ASHRAE Standard 230 the existing building commissioning process (EBCx process) once the standard has been voted and approved by ASHRAE. These activities shall be conducted under the direct supervision of a qualified retro-commissioning professional. The retro-commissioning of base building systems shall include, at a minimum, the following:

a. Heating, ventilation, air conditioning (HVAC) systems and controls;

b. Indoor lighting systems and controls;

c. Exterior lighting systems and controls;

d. Water heating systems;

e. Renewable energy systems;

f. Stationary electric battery storage systems;

g. Electric vehicle charging equipment; and

h. Demand flexibility systems.

2. Water retro-commissioning shall be performed in accordance with industry standard practices, including the latest version of ASHRAE Guideline 0.2 Commissioning Process for Existing Systems and Assemblies, unless the department directs the use of the latest version of ASHRAE Standard 230 the existing building commissioning process (EBCx process), and under the direct supervision of a qualified retro-commissioning professional. The water retro-commissioning of the base building systems shall include, at a minimum, the following:

a. Potable water distribution systems;

b. Landscape irrigation systems;

c. Water reuse systems; and

d. Water features.

E. Energy and Water Retro-Commissioning Report. A report of the energy and water retro-commissioning, completed and signed by a qualified retro-commissioning professional, shall be maintained by the property owner as required in Section 15.77.090. The report shall meet the requirements of Subsection 15.77.080 D and shall include, at a minimum, the following:

1. The date(s) that the retro-commissioning was performed;

2. Identifying information on the retro-commissioning provider;

3. Information on the base building systems and equipment;

4. All the retro-commissioning process activities undertaken and retro-commissioning measures completed;

5. Functional performance testing reports; and

6. Operational training conducted.

F. Improvement Measures. A property owner may comply with the requirements of this chapter for any unmet standard by demonstrating two (2) of the following corresponding efficiency improvement measures—one energy-related measure and one water-related measure listed below—were completed and by submitting an improvement measures report within the time set forth in Section 15.77.100.

1. Energy-related Improvement Measures.

a. Energy efficiency improvement measures will be provided by the department six (6) months before the compliance deadline on the city website and will continually be updated thereafter. The list of measures will include opportunities that prioritize energy efficiency in base building systems, decarbonized buildings, and building electrification. An owner may submit a request to the department to add measures not contained in the published list that are identified by a qualified auditor or retro-commissioning professional. Examples of energy systems include, but are not limited to:

i. Space heating and cooling.

ii. Ventilation.

Iii. Building envelope measures such as insulation, air sealing and window upgrades.

iv. Water heating.

v. Lighting.

vi. Cooking.

Vii. Refrigeration.

viii. Office equipment and computing.

ix. Other loads.

b. Distributed energy resource improvement measures will be provided by the department six (6) months before the compliance deadline on the city website and will continually be updated thereafter. The list of measures will include opportunities that prioritize decarbonized buildings and building electrification. Examples of energy systems include, but are not limited to:

i. Solar Photovoltaic. An onsite solar photovoltaic system has been installed in accordance with the California Building Standards Code (California Code of Regulations, Title 24) in effect at the time of installation and currently operational.

Ii. Stationary Electric Storage. An onsite stationary battery electric storage system (BESS) has been installed in accordance with the California Building

Standards Code (California Code of Regulations, Title 24) in effect at the time of installation and currently operational.

Iii. Grid-interactive Efficient Building (GEB). GEBs are energy efficient buildings with smart technologies characterized by the active use of distributed energy resources to optimize energy use for grid services, occupant needs and preferences, and cost reductions in a continuous and integrated way that is currently operational.

iv. Electric Vehicle (EV) charging infrastructure. Electric vehicle charging infrastructure has been installed on the building site.

v. Decarbonized Building. A building that is highly energy-efficient and produces onsite or procures carbon-free renewable energy in an amount sufficient to offset the annual carbon emissions associated with operations. Through a combination of the above strategies, demonstrate through EPA Portfolio Manager that the building is decarbonized.

2. Water-related Improvement Measures.

a. Water efficiency improvement measures will be provided by the department six (6) months before the compliance deadline on the city website and will continually be updated thereafter. The list of measures will include opportunities that prioritize water efficiency. Examples of energy systems include, but are not limited to:

i. Installation of plumbing such that all systems in the building are in compliance with the California Building Standards Code (California Code of Regulations, Title 24) in effect at the time of installation and currently operational;

Ii. Installation of outdoor landscaping and irrigation such that all systems on the property are in compliance with Brisbane Municipal Code Chapter 15.70, Water Conservation in Landscaping in effect at the time of the compliance cycle;

Iii. Installation of a greywater system in accordance with California Code of Regulations, Title 24, Sections 1502.6, 1502.10.3, or as amended and in effect at the time of installation and currently operational;

iv. Installation of insulation on all hot water pipes in accessible building locations; or

v. Participation in approved water utility retrofit program (e.g. taken advantage of rebate or incentive programs for upgrades).

G. Improvement Measures Report. A report of the improvement measures implemented shall be submitted to the department and maintained by the property owner as required in Section 15.77.090. The report shall be submitted with sufficient supporting data including receipts or other proof of compliance and shall include, at a minimum, the following:

1. Descriptions of the measures including the date(s) that the improvement measures were implemented;

2. Identifying information on the person implementing the improvement measures;

3. Information on the base building systems and equipment; and

4. A list of all improvement measures that can reduce energy or water use and the cost of operating the building, and the costs of each measure.

H. Green Lease Attestation. A property owner may submit a letter of attestation that its lease or other rental agreement for the building contains sustainability or environmental provisions specifically related to energy and water as part of the agreement (a "green lease"). At a minimum, the owner shall provide reasonable evidence that the agreement includes provisions for:

1. Energy and water cost pass through requirements that do not exceed the actual reduction in building operating costs for the tenant;

2. Operational clauses that support overall energy and water reductions on the property; and

3. Reporting clauses that allow the owner and tenant to share data necessary to comply with this chapter.

I. Required Submittal to the Department.

1. For each building subject to this chapter, the property owner shall submit to the department an energy and water audit and report as described in Section 15.77.080 D, or proof of meeting one of the exemptions, in accordance with the schedule set forth in Section 15.77.100.

2. For each building subject to this chapter, the property owner shall submit to the department, in accordance with the schedule set forth in Section 15.77.100, one of the following:

a. An energy and water retro-commissioning report as described in Section 15.77.080 E;

b. An improvement measures report as described in Section 15.77.080 G; or

c. A green lease attestation as described in Section 15.77.080 H."

Section 4: Section 15.77.100 of the Brisbane Municipal Code is revised to read as follows:

"15.77.100 - Schedule for compliance.

A. Schedule for Benchmarking Report Compliance. A property owner shall submit to the department an annual benchmarking report in compliance with Section 15.77.050 according to the following schedule:

1. For properties owned by the city with a gross floor area of two thousand (2,000) square feet or more, the city must complete and submit the initial benchmarking report annually on or before May 15, beginning in 2020.

2. For all other properties subject to this chapter, the property owner must complete and submit the initial benchmarking report annually on or before May 15, beginning in 2021.

B. Schedule for Beyond Benchmarking Compliance for Performance and Prescriptive Paths. A property owner must comply with Section 15.77.060 once every six (6) years, based on the building type

(commercial, industrial or multi-family) which will be published on the city website for each building subject to this chapter under Section 15.77.060.

1. For commercial— Submit performance verification report or evidence of contract with qualified profession to complete energy and water audit for prescriptive path by May 15, 2023, or Year 1 of the cycle. The completed audit must by submitted by July 15 of the same year.

	Baseline	Calendar Evaluation Year Data to be compared against Baseline	Year 1 – (Reporting Year) - Performance Verification Report or Audit due	Year 3 – Check-in	Year 5 – RCx Report, Improvement Report, or Green Lease Attestation due
Cycle 1	2020	2022	2023	2025	2027
Cycle 2	2022	2028	2029	2031	2033
Cycle 3	2028	2034	2035	2037	2039

2. For industrial and multifamily— Submit performance report or evidence of contract with qualified profession to complete energy and water audit for prescriptive path by May 15, 2024 or Year 1 of the cycle. The completed audit must by submitted by July 15 of the same year.

	Baseline	Calendar Evaluation Year Data to be compared against Baseline	Year 1 – (Reporting Year) - Performance Verification Report or Audit due	Year 3 – Check-in	Year 5 – RCx Report, Improvement Report, or Green Lease Attestation due
Cycle 1	2020	2022	2023	2025	2027
Cycle 2	2022	2028	2029	2031	2033
Cycle 3	2028	2034	2035	2037	2039

3. For any newly constructed buildings receiving a certificate of occupancy less than five (5) years before the start (Year 0) of the cycle, the property owner shall comply with Sections 15.77.060, 15.77.070 and/or 15.77.080 at the time of the next cycle corresponding to the property type.

C. Timing of Audit and Retro-Commissioning. Except as otherwise provided in subsection 15.77.060 B, a property owner shall complete the audits and retro-commissioning within five (5) years of a building's compliance due date.

D. Early Compliance Pilots. The city may launch a voluntary early compliance pilot program to test the reporting infrastructure and refine the reporting requirements. The pilot program may begin prior to the reporting deadline in this Section 15.77.100.

E. Time Extensions. A property owner may be granted up to three (3) extensions of sixty (60) days each to file any submittal required by this chapter provided satisfactory proof is made to the department that one of the following conditions applies:

1. The property is under financial or legal distress, as verified by recent financial statements, legal filings and other relevant documents showing one or more of the following:

a. The property is under the control of a court-appointed receiver as a result of financial distress;

b. The property is owned by a financial institution as a result of borrower default;

c. The property has been acquired by a financial institution via deed in lieu of foreclosure;

d. The property is encumbered by a senior mortgage subject to a notice of default;

e. The property is an asset subject to probate proceedings;

f. The property is subject to a State of California Board of Equalization (BOE) Welfare Property Tax Exemption and the cost of complying with the reporting requirements will exceed or significantly deplete existing cash flow. The property owner must provide proof of a BOE-issued organizational clearance certificate and, where the property owner is a limited partnership, provide a supplemental clearance certificate.

2. The property owner, or tenant if applicable, is unable to timely comply due to substantial hardship. Substantial hardship shall mean circumstances by some verifiable level of adversity or difficulty from which the department determines a property owner, or tenant if applicable, would not be able reasonably to satisfy the obligations of this chapter.

3. Fifty percent (50%) or more of the gross floor area occupied by tenant(s) in the building has a lease ending within one year of the compliance deadline and the lease is not being renewed.

F. Notification. The department shall notify the property owner at least forty-five (45) days prior to the due dates specified in subsections A and B of this Section 15.77.100."

Section 5: CEQA Determination

Introduction and adoption of this Ordinance is not subject to further review under the California Environmental Quality Act (CEQA) because it is a continuing administrative activity of the City, namely, general policy and procedure making and therefore it is not a "project" under CEQA. CEQA Guideline, Section 15378 (b) (2).

Section 6: Effective Date.

This Ordinance shall be effective thirty days after its final passage and adoption.

* * * *

The above and foregoing Ordinance was regularly introduced and after the waiting time required by law, was thereafter passed and adopted at a regular meeting of the City Council of the City of Brisbane held on the _____ day of _____, 2023, by the following vote:

AYES:
NOES:
ABSENT:
ABSTAIN:

_____
Madison Davis, Mayor

ATTEST:

_____
Ingrid Padilla, City Clerk

APPROVED AS TO FORM:

_____
Thomas R. McMorrow, City Attorney

Proposed Amendments to Chapter 15.77 - BUILDING EFFICIENCY PROGRAM

15.77.040 - Definitions.

The following words and phrases, whenever used in this chapter, shall be construed as defined in this section unless the context indicates otherwise. Words and phrases not defined here shall be construed as defined in BMC Chapters 15.08, 15.70, 15.80, 15.81, and 15.82.

A. "Base building systems" means the systems and subsystems of a building that use or distribute energy and/or water and/or impact the energy and/or water consumption, including the building envelope; the heating, ventilating and air-conditioning (HVAC) systems; air conveying systems; electrical and lighting systems; domestic hot water systems; water distribution systems; plumbing fixtures and other water-using equipment; landscape irrigation systems and water features; energy generation and storage equipment; and electric vehicle charging infrastructure. Base building systems shall not include:

1. Systems or subsystems owned by a tenant or for which a tenant bears full maintenance responsibility, that are within the tenant's leased space and exclusively serve such leased space, and for which the tenant pays all the energy and water bills according to usage and demand as measured by a meter or sub-meter.

2. Systems or subsystems owned by a residential unit owner that exclusively serve the residential unit of that owner.

B. "Baseline year" means the calendar year that a building shall use as its past energy and water usage year when comparing to its "reporting ~~data~~ year" usage. For the ~~first~~ beyond benchmarking cycle 1, the baseline year is the first year of in-compliance benchmarking, which is the calendar year data of 2020 ~~(the first year of mandatory benchmarking data),~~ reported in 2021 unless reporting was not completed that year or had unresolved data quality issues. In subsequent beyond benchmarking cycles, the baseline year resets to the calendar year ~~reported~~ evaluated in the previous beyond benchmarking cycle. The following table reflects the data and baseline years for a typical commercial property during the first three (3) beyond benchmarking cycles:

~~Due Date , Reporting Data Year , Baseline Year~~

~~May 1, 2023 , Calendar year 2022 , Calendar year 2020~~

~~May 1, 2028 , Calendar year 2027 , Calendar year 2022~~

~~May 1, 2033 , Calendar year 2032 , Calendar year 2027~~

	Baseline	Calendar Year Data to be evaluated against Baseline	Year 1 – (Reporting Year) Performance Verification Report or Audit due	Year 3 – Check-in	Year 5 – RCx Report, Improvement Report, or Green Lease Attestation due
Cycle 1	2020	2022	2023	2025	2027
Cycle 2	2022	2028	2029	2031	2033
Cycle 3	2028	2034	2035	2037	2039

C. "Benchmarking report" means a report, generated by ENERGY STAR® Portfolio Manager, summarizing the annual energy and water performance of a building.

D. "Commercial property" means a property that is defined by ENERGY STAR® Portfolio Manager with the exception of the property types listed on Portfolio Manager as multifamily or manufacturing/industrial plants. Commercial property includes warehouses and distribution centers.

E. "Covered building" means the current definition of "covered building" as set forth in state regulations.

F. "Decarbonized building" means any building that is highly energy-efficient and produces onsite or procures carbon-free renewable energy in an amount sufficient to offset the annual carbon emissions associated with operations.

G. "Demand flexibility" means the capability provided by building controls or distributed energy resources to reduce, shed, shift, modulate or generate electricity. Energy flexibility and load flexibility are often used interchangeably with demand flexibility.

H. "Department" means the City of Brisbane's Department of Public Works.

I. "Disclosable buildings" means the most current definition of "disclosable buildings" as set forth in state regulations that have ten thousand (10,000) square feet or more of gross floor area.

J. "Distributed Energy Resources (DER)" means distribution-connected distributed generation resources, energy efficiency, energy storage, electric vehicles, and demand response technologies, that are supported by a wide-ranging suite of California Public Utilities Commission policies.

K. "Energy" means electricity, natural gas, steam, heating oil, or other products sold by a utility to a customer of a building, or renewable on-site electricity generation, for purposes of providing heat, cooling, lighting, water heating, or for powering or fueling other end-uses in the building and related facilities.

L. "Energy audit" means a systematic evaluation to identify potential modifications and improvements to a building's equipment and systems which utilize energy in order to optimize a building's overall energy performance.

M. "ENERGY STAR® Portfolio Manager" means the United States Environmental Protection Agency's online tool for measuring, tracking, and managing a building's energy, water, and greenhouse gas emission data, and benchmarking the performance of the building.

N. "ENERGY STAR® Certified" means a building which has earned an ENERGY STAR® Score of seventy-five (75) or higher, indicating that it performs better than at least seventy-five percent (75%) of similar buildings nationwide and the data has been verified by a professional engineer or registered architect.

O. "ENERGY STAR® Score" means a number ranging from one to one hundred (100) assigned by the U.S. EPA's Energy Star Portfolio Manager as a measurement of a building's energy efficiency, normalized for a building's characteristics, operations, and weather, according to methods established by the U.S. EPA's ENERGY STAR® Portfolio Manager.

P. "Energy Use Intensity" (EUI) as defined by the U.S. EPA means all energy consumption divided by the gross floor area. A normalized EUI is adjusted for property characteristics, site energy factors and source energy factors as determined by the U.S. EPA's ENERGY STAR® Portfolio Manager.

Q. "Grid-Interactive Efficient Building (GEB)" means an energy efficient building with smart technologies characterized by the active use of distributed energy resources to optimize energy use for grid services, occupant needs and preferences, and cost reductions in a continuous and integrated way.

R. "Gross floor area" means the total building square footage, as measured between the exterior walls of the building(s). Open-air stairwells, breezeways, and other similar areas that are not fully enclosed should not be included in the gross floor area. Gross floor area for a commercial property shall include all finished areas inside the building(s) including supporting areas, lobbies, tenant areas, common areas, meeting rooms, break rooms, atriums (count the base level only), restrooms, elevator shafts, stairwells, mechanical equipment areas, basements, storage rooms. Gross floor area for an industrial property shall include all space within the building(s) at the plant, including production areas, offices, conference rooms, employee break rooms, storage areas, mechanical rooms, stairways, and elevator shafts. Gross floor area for a multifamily property shall include all buildings that are part of a multifamily community or property, including any management offices or other buildings that may not contain living units, all fully-enclosed space within the exterior walls of the building(s), including living space in each unit (including occupied and unoccupied units), interior common areas (e.g. lobbies, offices, community rooms, common kitchens, fitness rooms, indoor pools), hallways, stairwells, elevator shafts, connecting corridors between buildings, storage areas, and mechanical space such as a boiler room.

S. "Industrial property" means a property that is defined by ENERGY STAR® Portfolio Manager as a manufacturing/industrial building used for producing, manufacturing, or assembling goods and includes, but is not limited to, a main production area that has high-ceilings and contains heavy equipment used for assembly line production.

T. "Multifamily property" means any multifamily building that contains two (2) or more residential living units. This includes high-rise buildings (ten (10) or more stories), mid-rise buildings (five (5) to nine (9) stories), or low-rise buildings (one to four (4) stories).

U. "Qualified auditor" means an individual whose job duties do not regularly occur at the property, who possesses such qualifications as determined by the department to perform or directly supervise individuals performing audits and to certify audit reports required by this chapter. A qualified auditor may be a contractor hired by the reporting entity, or an employee of a utility, so long as such person has two (2) or more years of auditing experience and possesses one or more of the following certifications:

1. Accredited certification that has been designated a "Better Buildings Recognized Program" by the U.S. Department of Energy ("DOE") meeting the criteria set forth in the Better Buildings Workforce Guidelines (BBWG) for Building Energy Auditors or Energy Managers;

2. Certified Energy Auditor (CEA) or Certified Energy Manager (CEM), issued by the Association of Energy Engineers (AEE);

3. Certified Facilities Manager (CFM), issued by the International Facility Management Association (IFMA);

4. High Performance Building Design Professional (HBDP) or Building Energy Assessment Professional (BEAP), issued by the American Society of Heating, Refrigerating, and Air-Conditioning Engineers (ASHRAE);

5. For audits of multifamily residential buildings only, a Multifamily Building Analyst (MFBA), issued by the Building Performance Institute (BPI);

6. Professional Engineer (PE) registered in the State of California;

7. System Maintenance Administrator (SMA) or System Maintenance Technician (SMT), issued by Building Owners and Managers Institute (BOMI) International; or

8. Additional qualified certifications as the Director of the Department deems appropriate.

V. "Qualified retro-commissioning professional" means an individual whose job duties do not regularly occur at the property, who possesses such qualifications as determined by the department to perform or directly supervise individuals performing the retuning work (i.e. adjusting system control parameters) required by this chapter. A qualified retro-commissioning professional may be a contractor hired by the reporting entity or an employee of a utility so long as such person has two (2) or more years of commissioning or retuning experience and possesses one or more of the following certifications:

1. Accredited Commissioning Process Authority Professional (ACPAP) approved by the University of Wisconsin;

2. Accredited certification that has been designated a "Better Buildings Recognized Program" by the Department of Energy meeting the criteria set forth in the Better Buildings Workforce Guidelines (BBWG) for Building Commissioning Professionals;

3. Certified Building Commissioning Professional (CBCP) or Existing Building Commissioning Professional (EBCP), issued by the Association of Energy Engineers (AEE);

4. Certified Commissioning Professional (CCP), issued by the Building Commissioning Association (BCA);

5. Certified Commissioning Authority (CxA) or Certified Commissioning Technician (CxT), issued by the AABC Commissioning Group (ACG);

6. Certified professional certified by the National Environmental Balancing Bureau (NEBB);

7. Commissioning Process Management Professional (CPMP), issued by American Society of Heating, Refrigerating, and Air-Conditioning Engineers (ASHRAE);

8. Professional Engineer (PE) registered in the State of California; or

9. Additional qualified certifications as the Director of the Department deems appropriate.

W. “Reporting Year” means the year in which a benchmarking or other report is submitted, based on the prior calendar year’s data. For instance, for Reporting Year 2023, a building owner will submit energy and water data for calendar year 2022 (January 1 – December 31) with a deadline of May 15, 2023.

X. "Retro-commissioning" means a systematic process for optimizing existing systems relating to building performance through the identification and correction of deficiencies in such systems.

~~X~~Y. "Retro-commissioning measures" means work relating to retro-commissioning such as repairs, maintenance, adjustments, changes to controls or related software, or operational improvements that optimize a building's energy and/or water performance.

~~Y~~Z. "Retrofit Measures" means upgrades or alterations of building systems involving the installation of energy and/or water efficiency and DER technologies that reduce energy and/or water consumption and improve the efficiency of such systems.

~~Z~~AA. "Solar thermal system" means the process of utilizing energy from the sun through the use of collectors to produce heat for a variety of applications including, but not limited to, heating water, providing process heating, space heating, absorption cooling and any combination of such applications.

~~AA~~BB. "Solar photovoltaic" means a technology that uses a semiconductor to convert sunlight directly into electricity.

~~BB~~CC. "Stationary Battery Electric Storage System (BESS)" means a rechargeable energy storage system consisting of electrochemical storage batteries, battery chargers, controls, and associated electrical equipment designed to provide electrical power to a building, designed for service in a permanent location.

~~CC~~DD. "U.S. EPA Water Score" means a number ranging from one to one hundred (100) assigned by the U.S. EPA's ENERGY STAR® Portfolio Manager, and available to existing multifamily properties with twenty (20) or more units, as a measurement of a whole building's water use, normalized for that building's characteristics, operations, and weather, according to the methods established by the U.S. EPA's ENERGY STAR® Portfolio Manager.

~~DD~~EE. "Water audit" means a systematic evaluation to identify potential modifications and improvements to a building's equipment and systems which utilize water in order to optimize a building's overall water performance.

~~EE~~FF. "Water Use Intensity" (WUI) as defined by the U.S. EPA means all water consumption divided by the gross floor area (not including parking or irrigated area) and is not adjusted for any of the building use details (number of workers, weekly hours, etc.).

~~(Ord. No. 644, § 1, 12-12-19)~~

15.77.070 - Beyond benchmarking performance path.

A. Owners of properties that are highly efficient, have demonstrated increased efficiency, or have adopted distributed energy resources may establish satisfactory energy and water efficiency by providing the documentation described below to the department in such a form as required by the department that demonstrates the following:

1. The building is new and has been occupied for less than five (5) years from its first compliance due date, based on its temporary certificate of occupancy or certificate of occupancy; or has achieved one or more of the energy standards and one or more of the water standards as set

forth below for at least three (3) of the five (5) calendar years preceding the building's compliance due date.

2. Energy standards: The building has the latest version of the Leadership in Energy and Environmental Design (LEED™) existing buildings operations and maintenance certification; or qualified auditor or retro-commissioning professional certified at least at least one of the following:

a. The building has received an ENERGY STAR® score of eighty (80) or greater from the U.S. EPA; or

b. The building has improved its ENERGY STAR® score by twenty (20) points or more relative to its performance during the baseline year; or

c. The building has a weather normalized site ~~GHG~~ energy use intensity as calculated by the benchmarking tool that is twenty-five percent (25%) below the calculated ~~mean~~ median for that property type; or

d. The building has reduced its weather normalized site ~~GHG~~ energy use intensity by at least twenty percent (20%) relative to its performance during the baseline year.

3. If a building has installed one or more of the following distributed energy resources (DERs):

a. Solar Photovoltaic. An onsite solar photovoltaic system has been installed in accordance with the California Building Standards Code (California Code of Regulations, Title 24) in effect at the time of installation and currently operational. The greater of the two (2) following options satisfy the solar photovoltaic measure:

i. A minimum amount of solar photovoltaic capacity of five (5) kilowatts per Brisbane Municipal Code Section 15.82.050; or

ii. Sufficient capacity must be installed to offset equal to or greater than twenty percent (20%) of their annual electricity consumption, as calculated by ENERGY STAR® Portfolio Manager, or otherwise determined by the city department.

b. Stationary Electric Storage. An onsite stationary battery electric storage system (BESS) has been installed in accordance with the California Building Standards Code (California Code of Regulations, Title 24) in effect at the time of installation and currently operational.

c. Grid-interactive Efficient Building (GEB). The building currently has the ability to interact with the distribution system operator's grid to optimize its energy consumption and/or dispatch. GEBs are energy efficient buildings with smart technologies characterized by the active use of distributed energy resources to optimize energy use for grid services, occupant needs and preferences, and cost reductions in a continuous and integrated way.

d. Decarbonized Building. The building is highly energy-efficient and produces onsite or procures carbon-free renewable energy in an amount sufficient to offset the annual carbon emissions associated with operations. Through a combination of the above

strategies, demonstrate through EPA Portfolio Manager that the building is decarbonized in the current reporting year.

4. Water standards: A qualified auditor or qualified retro-commissioning professional has certified at least one of the following:

a. The building has received a U.S. EPA water score of eighty (80);

b. The building has improved its U.S. EPA water score by twenty (20) points or more relative to its performance during the baseline year;

c. The building has reduced its water use intensity by at least twenty percent (20%) relative to its performance during the baseline year.

d. The building has a water use intensity that is twenty-five percent (25%) below the calculated median for that property type as determined by the Department.

B. If a building has achieved both energy and water standards, the property owner is only required to submit an ENERGY STAR® performance verification report for that reporting year. If the building only meets one of the standards, the property owner shall submit a performance verification report for the satisfactory standard and shall comply with this section by completing one of two (2) prescriptive pathway options for the unmet standard as set forth in subsection G of section 15.77.080.

C. After the establishment of a DOE-recognized standard for a water auditor, the director may adopt the qualifications of the DOE-recognized standard with modifications as the director deems to be appropriate.

~~(Ord. No. 644, § 1, 12-12-19)~~

15.77.080 - Beyond benchmarking prescriptive path.

A. If a building does not meet performance standards set forth in 15.77.070, a property owner shall meet the requirements of this chapter through one of two (2) alternative means:

1. For properties between ten thousand (10,000) and thirty-nine thousand nine hundred ninety-nine (39,999) square feet:

a. Conducting an asset score full report described in Section 15.77.080 B; and either

b. Performing retro-commissioning described in Section 15.77.080 D; or

c. Adopting improvement measures described in subsection F of Section 15.77.080; or

d. Adopting a green lease as described in subsection H of Section 15.77.080.

2. For properties forty thousand (40,000) square feet and more:

a. Conducting a minimum of an ASHRAE audit Level II audit described in Section 15.77.080 B (Level III audits are also acceptable); and either

b. Performing retro-commissioning described in Section 15.77.080 D; or

c. Adopting efficiency and/or DER Improvement Measures described in subsection F of Section 15.77.080; or

d. Adopting a green lease as described in subsection H of Section 15.77.080.

B. Energy and Water Audit Standards. Energy and water auditing standards shall comply with both of the following:

1. Energy Auditing.

Energy audits required by this chapter shall meet or exceed either the Department of Energy (DOE) asset score standards, American Society of Heating Refrigerating and Air-Conditioning Engineers (ASHRAE) Level II audit standards in conformance with the ASHRAE Standard 211-2018 (or latest version) "Standard for Commercial Building Energy Audits" and shall be performed under the direct supervision of a qualified auditor or qualified retro-commissioning professional. The DOE audit template shall be used to transmit data to the city for compliance with energy auditing and retro-commissioning. The city will publish an audit template on the building energy asset score website with standardized data collection fields to capture information about base energy systems and recommended retrofit opportunities. Section 15.77.080 A describes the applicability of each of the following audit standards based on gross floor area:

a. Asset Score Full.

i. Collect building data: Use the data collection form "full" input mode version to gather information about the building's physical characteristics.

ii. Review the data collection priority map to help focus on the most important building data given the building's use type and climate zone.

Iii. Enter the data on the audit template supplied on the DOE asset score website for the Brisbane Building Efficiency Program.

b. ASHRAE Level II Audit.

i. Energy audits required by this chapter shall meet or exceed Level II audit standards in conformance with the American Society of Heating Refrigerating and Air-Conditioning Engineers (ASHRAE) Standard 211-2018 "Standard for Commercial Building Energy Audits" and shall be performed under the direct supervision of a qualified auditor.

2. Water Auditing.

Water audits shall be performed in accordance with industry standard practices, including the latest version of the DOE Water Audit Guidance for Commercial Buildings or ASHRAE Guideline 0.2 Commissioning Process for Existing Systems and Assemblies, unless the department directs the use of the latest version of ASHRAE Standard 230 the existing building commissioning process (EBCx process), and under the direct supervision of a qualified auditor or qualified retro-commissioning professional. The water audit of the base building systems shall include, at a minimum, the following:

a. Potable water distribution systems;

b. Landscape irrigation systems;

c. Water reuse systems; and

d. Water features.

C. Energy and Water Audit Report. A report of the energy and water audit, completed and signed by a qualified auditor, shall be maintained by the property owner as required in Section 15.77.090. The report shall meet the requirements of subsection 15.77.080 B and shall include, at a minimum, the following:

1. The date(s) that the audit and retro-commissioning were performed;

2. Identifying information on the auditor and retro-commissioning provider;

3. Information on the base building systems and equipment;

4. A list of all retrofit measures that can reduce energy use and/or cost of operating the building, costs of each measure, and an estimate of the energy savings associated with each measure;

5. A list of all retrofit measures that can reduce water use and/or cost of operating the building; costs of each measure; and an estimate of the water savings associated with each measure;

6. Functional performance testing reports;

7. Operational training conducted;

8. Inventory of existing, planned, or desired electric vehicle (EV) charging stations on the property;

9. Inventory of existing, planned, or desired solar photovoltaic, solar water heating, other energy generation equipment;

10. Inventory of existing, planned, or desired stationary battery electric storage system or other energy storage equipment;

11. Inventory of existing, planned or desired building energy end-use electrification retrofits including electrical panel upgrades;

12. Inventory of existing, planned or desired water systems and equipment; and

13. Acknowledgment that an asset score full, or ASHRAE Level II audit was conducted.

D. Energy and Water Retro-Commissioning Standards.

1. Energy retro-commissioning shall be performed in accordance with industry standard practices, including the latest version of ASHRAE Guideline 0.2 Commissioning Process for Existing Systems and Assemblies. The department may consider updating the ASHRAE Guideline 0.2 with ASHRAE Standard 230 the existing building commissioning process (EBCx process) once the standard has been voted and approved by ASHRAE. These activities shall be conducted

under the direct supervision of a qualified retro-commissioning professional. The retro-commissioning of base building systems shall include, at a minimum, the following:

a. Heating, ventilation, air conditioning (HVAC) systems and controls;

b. Indoor lighting systems and controls;

c. Exterior lighting systems and controls;

d. Water heating systems;

e. Renewable energy systems;

f. Stationary electric battery storage systems;

g. Electric vehicle charging equipment; and

h. Demand flexibility systems.

2. Water retro-commissioning shall be performed in accordance with industry standard practices, including the latest version of ASHRAE Guideline 0.2 Commissioning Process for Existing Systems and Assemblies, unless the department directs the use of the latest version of ASHRAE Standard 230 the existing building commissioning process (EBCx process), and under the direct supervision of a qualified retro-commissioning professional. The water retro-commissioning of the base building systems shall include, at a minimum, the following:

a. Potable water distribution systems;

b. Landscape irrigation systems;

c. Water reuse systems; and

d. Water features.

E. Energy and Water Retro-Commissioning Report. A report of the energy and water retro-commissioning, completed and signed by a qualified retro-commissioning professional, shall be maintained by the property owner as required in Section 15.77.090. The report shall meet the requirements of Subsection 15.77.080 D and shall include, at a minimum, the following:

1. The date(s) that the retro-commissioning was performed;

2. Identifying information on the retro-commissioning provider;

3. Information on the base building systems and equipment;

4. All the retro-commissioning process activities undertaken and retro-commissioning measures completed;

5. Functional performance testing reports; and

6. Operational training conducted.

F. Improvement Measures. A property owner may comply with the requirements of this chapter for any unmet standard by demonstrating two (2) of the following corresponding efficiency improvement

measures—one energy-related measure and one water-related measure listed below—were completed and by submitting an improvement measures report within the time set forth in Section 15.77.100.

1. Energy-related Improvement Measures.

a. Energy efficiency improvement measures will be provided by the department six (6) months before the compliance deadline on the city website and will continually be updated thereafter. The list of measures will include opportunities that prioritize energy efficiency in base building systems, decarbonized buildings, and building electrification. An owner may submit a request to the department to add measures not contained in the published list that are identified by a qualified auditor or retro-commissioning professional. Examples of energy systems include, but are not limited to:

i. Space heating and cooling.

ii. Ventilation.

Iii. Building envelope measures such as insulation, air sealing and window upgrades.

iv. Water heating.

v. Lighting.

vi. Cooking.

Vii. Refrigeration.

viii. Office equipment and computing.

ix. Other loads.

b. Distributed energy resource improvement measures will be provided by the department six (6) months before the compliance deadline on the city website and will continually be updated thereafter. The list of measures will include opportunities that prioritize decarbonized buildings and building electrification. Examples of energy systems include, but are not limited to:

i. Solar Photovoltaic. An onsite solar photovoltaic system has been installed in accordance with the California Building Standards Code (California Code of Regulations, Title 24) in effect at the time of installation and currently operational.

Ii. Stationary Electric Storage. An onsite stationary battery electric storage system (BESS) has been installed in accordance with the California Building Standards Code (California Code of Regulations, Title 24) in effect at the time of installation and currently operational.

Iii. Grid-interactive Efficient Building (GEB). GEBs are energy efficient buildings with smart technologies characterized by the active use of distributed energy resources to optimize energy use for grid services, occupant needs and

preferences, and cost reductions in a continuous and integrated way that is currently operational.

iv. Electric Vehicle (EV) charging infrastructure. Electric vehicle charging infrastructure has been installed on the building site.

v. Decarbonized Building. A building that is highly energy-efficient and produces onsite or procures carbon-free renewable energy in an amount sufficient to offset the annual carbon emissions associated with operations. Through a combination of the above strategies, demonstrate through EPA Portfolio Manager that the building is decarbonized.

2. Water-related Improvement Measures.

a. Water efficiency improvement measures will be provided by the department six (6) months before the compliance deadline on the city website and will continually be updated thereafter. The list of measures will include opportunities that prioritize water efficiency. Examples of energy systems include, but are not limited to:

i. Installation of plumbing such that all systems in the building are in compliance with the California Building Standards Code (California Code of Regulations, Title 24) in effect at the time of installation and currently operational;

Ii. Installation of outdoor landscaping and irrigation such that all systems on the property are in compliance with Brisbane Municipal Code Chapter 15.70, Water Conservation in Landscaping in effect at the time of the compliance cycle;

Iii. Installation of a greywater system in accordance with California Code of Regulations, Title 24, Sections 1502.6, 1502.10.3, or as amended and in effect at the time of installation and currently operational;

iv. Installation of insulation on all hot water pipes in accessible building locations; or

v. Participation in approved water utility retrofit program (e.g. taken advantage of rebate or incentive programs for upgrades).

G. Improvement Measures Report. A report of the improvement measures implemented shall be submitted to the department and maintained by the property owner as required in Section 15.77.090. The report shall be submitted with sufficient supporting data including receipts or other proof of compliance and shall include, at a minimum, the following:

1. Descriptions of the measures including the date(s) that the improvement measures were implemented;

2. Identifying information on the person implementing the improvement measures;

3. Information on the base building systems and equipment; and

4. A list of all improvement measures that can reduce energy or water use and the cost of operating the building, and the costs of each measure.

H. Green Lease Attestation. A property owner may submit a letter of attestation that its lease or other rental agreement for the building contains sustainability or environmental provisions specifically related to energy and water as part of the agreement (a "green lease"). At a minimum, the owner shall provide reasonable evidence that the agreement includes provisions for:

1. Energy and water cost pass through requirements that do not exceed the actual reduction in building operating costs for the tenant;

2. Operational clauses that support overall energy and water reductions on the property; and

3. Reporting clauses that allow the owner and tenant to share data necessary to comply with this chapter.

I. Required Submittal to the Department.

1. For each building subject to this chapter, the property owner shall submit to the department an energy and water audit and report as described in Section 15.77.080 D, or proof of meeting one of the exemptions, in accordance with the schedule set forth in Section 15.77.100.

2. For each building subject to this chapter, the property owner shall submit to the department, in accordance with the schedule set forth in Section 15.77.100, one of the following:

a. An energy and water retro-commissioning report as described in Section 15.77.080 E;

b. An improvement measures report as described in Section 15.77.080 G; or

c. A green lease attestation as described in Section 15.77.080 H.

~~(Ord. No. 644, § 1, 12-12-19)~~

15.77.100 - Schedule for compliance.

A. Schedule for Benchmarking Report Compliance. A property owner shall submit to the department an annual benchmarking report in compliance with Section 15.77.050 according to the following schedule:

1. For properties owned by the city with a gross floor area of two thousand (2,000) square feet or more, the city must complete and submit the initial benchmarking report annually on or before May 15, beginning in 2020.

2. For all other properties subject to this chapter, the property owner must complete and submit the initial benchmarking report annually on or before May 15, beginning in 2021.

B. Schedule for Beyond Benchmarking Compliance for Performance and Prescriptive Paths. A property owner must comply with Section 15.77.060 once every ~~five (5)~~six (6) years, based on the ~~federal unique building identifier (UBID)~~building type (commercial, industrial or multi-family) which will be published on the city website for each building subject to this chapter under Section 15.77.060.

1. For commercial— Submit performance verification report or evidence of contract with qualified profession to complete energy and water audit for prescriptive path by May 15, 2023 or Year 1 of the cycle. The completed audit must by submitted by July 15 of the same year.

F.

	Baseline	Calendar Year Data to be evaluated against Baseline	Year 1 – (Reporting Year) Performance Verification Report or Audit due	Year 3 – Check-in	Year 5 – RCx Report, Improvement Report, or Green Lease Attestation due
Cycle 1	2020	2022	2023	2025	2027
Cycle 2	2022	2028	2029	2031	2033
Cycle 3	2028	2034	2035	2037	2039

2. For industrial and multifamily— Submit performance report or evidence of contract with qualified profession to complete energy and water audit for prescriptive path by May 15, 2024 or Year 1 of the cycle. The completed audit must by submitted by July 15 of the same year.

	Baseline	Calendar Year Data to be evaluated against Baseline	Year 1 – (Reporting Year) Performance Verification Report or Audit due	Year 3 – Check-in	Year 5 – RCx Report, Improvement Report, or Green Lease Attestation due
Cycle 1	2020	2023	2024	2026	2028
Cycle 2	2023	2029	2030	2032	2034
Cycle 3	2029	2035	2036	2038	2040

3. For any newly constructed ~~commercial or multifamily~~ buildings receiving a certificate of occupancy ~~after May 15, 2018, or industrial buildings after May 15, 2019~~less than five (5) years before the start of the cycle, the property owner shall comply with Sections 15.77.060, 15.77.070 and/or 15.77.080 at the time of the next ~~reporting~~ cycle corresponding to the property type ~~(e.g. 2028 or 2029).~~.

C. Timing of Audit and Retro-Commissioning. Except as otherwise provided in subsection 15.77.060 B, a property owner shall complete the audits and retro-commissioning within five (5) years of a building's compliance due date.

D. Early Compliance Pilots. The city may launch a voluntary early compliance pilot program to test the reporting infrastructure and refine the reporting requirements. The pilot program may begin prior to the reporting deadline in this Section 15.77.100.

E. Time Extensions. A property owner may be granted up to three (3) extensions of sixty (60) days each to file any submittal required by this chapter provided satisfactory proof is made to the department that one of the following conditions applies:

1. The property is under financial or legal distress, as verified by recent financial statements, legal filings and other relevant documents showing one or more of the following:

a. The property is under the control of a court-appointed receiver as a result of financial distress;

b. The property is owned by a financial institution as a result of borrower default;

c. The property has been acquired by a financial institution via deed in lieu of foreclosure;

d. The property is encumbered by a senior mortgage subject to a notice of default;

e. The property is an asset subject to probate proceedings;

f. The property is subject to a State of California Board of Equalization (BOE) Welfare Property Tax Exemption and the cost of complying with the reporting requirements will exceed or significantly deplete existing cash flow. The property owner must provide proof of a BOE-issued organizational clearance certificate and, where the property owner is a limited partnership, provide a supplemental clearance certificate.

2. The property owner, or tenant if applicable, is unable to timely comply due to substantial hardship. Substantial hardship shall mean circumstances by some verifiable level of adversity or difficulty from which the department determines a property owner, or tenant if applicable, would not be able reasonably to satisfy the obligations of this chapter.

3. Fifty percent (50%) or more of the gross floor area occupied by tenant(s) in the building has a lease ending within one year of the compliance deadline and the lease is not being renewed.

F. Notification. ~~For buildings with compliance dates of May 1, 2021 or later, t~~The department shall notify the property owner ~~at least three (3) months~~forty-five (45) days prior to the due dates specified in subsections A and B of this Section 15.77.100.

~~(Ord. No. 644, § 1, 12-12-19)~~

File Attachments for Item:

G. Consider Adoption of a Resolution for Water and Sewer Rate Increase

(This public hearing was continued from the City Council Meeting of April 6, 2023. To view the April 6th City Council Meeting and the corresponding staff presentation, visit: https://www.youtube.com/watch?v=BZNXoQ5MyoY. Council will consider a Resolution increasing the charges for water and sewer services and setting the discount rate for the city's low-income rate assistance plan at 25% for all services.)

CITY COUNCIL AGENDA REPORT

Meeting Date: 4/20/2023

From: Carolina Yuen, Finance Director

Subject: Continued Public Hearing for the Proposed Water and Sewer Rate Increases

Community Goal/Result
Fiscally Prudent
Safe Community
Ecological Sustainability

Purpose
Ensure the City's water and sewer rates reflect the full cost of providing clean drinking water and safe and effective conveyance of wastewater to the treatment plant while encouraging conservation of resources.

Recommendation
Adopt Resolution approving the proposed rates in Attachment A including:

(a) an annual increase of 9% through 2026/2027 in the water fixed charge,
(b) an annual increase of 7% annually through 2027/2028 in the water usage rate, and
(c) a 25% annual increase through 2027/2028 in sewer charges,

and setting the discount rate for the City's Low Income Rate Assistance (LIRA) Plan to a fixed rate across all services, starting at 25%, and finding that no further environmental review is required because water and sewer rates is not considered a project under the California Environmental Quality Act (CEQA). CEQA Guidelines, Section 15378(b)(2) and (b)(4).

Background

In 2001, Ordinance No. 458 was enacted to set the process for determining future water and sewer rate increases, and recommended that all cost increases from San Francisco be passed onto customers.

The last operational rate increase went into effect in 2012 based on a rate study performed in 2000. The City has been working from this rate study for the last twenty years.

Since 2012, the cost of the City's water purchases have increased significantly, along with the cost of wastewater treatment. The City has been able to keep operation rates constant due to an increase in usage among users over this period and the use of one-time revenue sources (i.e., connection fees).

In April 2021 the City retained the firm Lechowicz and Tseng to review the City's operation water and sewer rates. The City Council Infrastructure Subcommittee worked with Lechowicz

and Tseng to develop the proposed rate increases and suggested rate increases were presented at the City Council meeting held on December 15, 2022. Council selected the rate option under consideration at this meeting and directed staff to proceed with the requirements of Proposition 218 in order for the Council to consider adopting the rate increases at a future public hearing at least 45 days after written notification to property owners and account holders for community input.

On April 3, 2023, a public hearing was held to discuss the proposed increases to the water and sewer rates. The school district within the City was on spring break and other religious holidays were being observed the week of the initial public hearing. The Council wanted to provide residents and property owners an additional opportunity to express their views and ask questions, and therefore continued the public hearing to April 20, 2023.

Discussion

Water and Sewer Rates

Water and sewer rates are collected to pay for the operations of the water and sewer systems. Following are the various line items on the City's bi-monthly water and sewer bill:

- Water Service Charge – The fixed charge for having a meter connected to the system and for the City to ensure that it has enough treated water available to provide the full capacity of that meter and all other meters at a given time.
- Water Usage Charge – This charge is based on the number of units used during the billing period (two months). 1 unit = 100 cubic feet of water = approximately 748 gallons.
- Sewer Charge – For residential customers, the rate of this charge is reset every April based on the average water usage from October through January. For commercial customers, this charge is based on the actual water used during the billing period.
- Capital Project Charge – Where some agencies pay for capital projects using operating rates, the City adopted this charge to pay for debt service for bonds funding capital projects and major improvements to the to the water and sewer system. This charge is not part of the proposed increases herein.
- Drought Contingency Fund Charge – Where other agencies traditionally have raised rates during droughts to combat lower water usage, the City adopted this charge to create a reserve fund to cover loss of revenue during drought years. Approximately 70% of the City's costs are fixed but 70% of revenue is currently dependent on water usage. Water conservation efforts may therefore decrease revenues to levels that would not cover the related costs. This charge is not part of the proposed increases herein.

Since 2012, the cost of the City's water purchases has increased from $2.69 per unit to $4.50 per unit, an increase of 67%. Wastewater treatment has gone from $4.81 per unit to $11.63 per unit, an increase of 142%. The City has been able to keep operation rates constant due to

an increase in usage among users and the use of one-time revenue sources (i.e., connection fees).

At the April 6, 2023 public hearing, Councilmember Lentz inquired what the connection fees were over the years. Following is a table reflecting the one-time connection fees collected over the past five fiscal years that helped alleviate the increase in costs:

Connection Fees	2018	2019	2020	2021	2022
Water	$619,207	$68,663	$137,442	$27,836	$14,543
Sewer	$1,409,363	$123,706	$8,022	$8,655	$6,776

Lechowicz and Tseng reviewed the City's Water Service Charge, Water Usage, and Sewer Charge, analyzing the City's rates, customer usage and revenue produced from the rates. Their analysis confirmed that for FY2021 and FY2022, the City's Utility Fund was operating at a loss and using fund balance to cover these losses. A Utility Fund should be self-funding and able to operate at least at a break-even or a net-positive position. Sales Taxes, Property Taxes, Business Licenses and other service fees are funding sources for the General Fund, not the City's Utility Fund.

There were two main reasons the Utility Fund operated at a net loss over the past two years. First, a decrease in water usage among our commercial accounts resulted from business closures in response to the COVID-19 pandemic. Simultaneously, the cost of wastewater treatment increased by 60% over the same period.

City Council and staff were aware of the decreasing revenues but decided not to propose rate increases during the pandemic to prevent additional hardship to its customers. This has resulted in a decrease in net revenues (revenues less operating expenses) to levels below the City's debt coverage requirement of 1.25 times the annual debt service. Due to this, our credit rating for our utility bond was lowered from "AA-" to "A" which makes it challenging to obtain future debt to fund the Capital Improvement Plan.

As discussed at the December 15, 2022 City Council meeting and April 6, 2023 public hearing, the objectives for the proposed increases are for the City to:

(a) resume meeting its debt coverage requirement,
(b) replenish its reserves to 25% of operating expenses (industry standard), and
(c) for total revenues to cover total expenses of operating the system.

The City's consultant proposed to increase the base charge for water service, moving the City away from a variable rate for water usage to a more fixed position so that revenues will not be as impacted by reduced water usage in the future. The proposed water rate changes would in the first year increase the fixed charges based on meter size, from a range of $22.67 to $431.30,

to a range of $33.35 to $448.19. After the first year, the fixed charges would increase annually 9% through 2026/2027.

In addition, the proposal is to also reduce the number of water usage tiers for variable consumption charges from six tiers to two. State law over the past 20 years has been interpreted by the courts to be stricter on the use of tier rates as tiering tends to benefit persons who use less water, and therefore pay less, thereby causing others to subsidize the cost of the overall system. As a result of this proposed change, proposed rates in the first year will range from $6.30 to $12.65 depending on water usage. Thereafter the rates will increase an additional 7% each year through 2027/2028.

Since the cost of wastewater treatment has increased significantly over the years, the need for a sewer rate increase is greater. Significantly, the proposed sewer rate changes will reduce the fixed charge in the first year from a range of $68.87 to $183.27 to one rate of $64.20 but there would be an increase of 25% each year thereafter through 2027/2028.

The proposed sewer rate variable charge is to reduce the number of tiers to one tier and sewer rates will be based on "customer strength," (for example residential or commercial), instead of usage. The rates will increase from a range of $2.81 to $7.66 to one rate at $8.29 per unit and increase 25% each year thereafter through 2027/2028. The sewer bill for a residential customer who uses 10 units of water per billing cycle (every two months) would increase from $106.67 to $147.10 (an increase from $640.02 to $882.60 annually).

Because of the bi-monthly billing, the City does not intend to increase the rates until June 15th, 2023, where new rates will be reflected in the June – August bill, which will be due in October.

Low Income Rate Assistance Program

The City offers all users who are enrolled in the PG&E Care program to enroll in the City's Low Income Rate Assistance (LIRA) Program. Over the years, the percentage reduction in rates has increased as the Council determined it did not want to increase water and sewer rates on low-income individuals. However, there is no LIRA reduction for either the Capital Charge or the Drought Contingency Fund Charge because these rates have been determined to raise an absolute dollar amount. According to State Law, some users cannot offset the cost for other users, and therefore the decrease in revenue due to the LIRA program is funded by the City's General Fund. Over the last five years, the City has spent approximately $40,000 each year from the General Fund for the LIRA program.

Following are the LIRA discounts by service.

Service	Current LIRA Discount	Proposed LIRA Discount
Water Service	36.75%	
Water Use	49.90%	One rate for all services
Sewer	42.40%	Proposed at 25% to start

If the City Council wishes to allocate the same dollar amount ($40,000) in the future, the consultants proposed a flat discount of 25% on these users' bill to accomplish this. Staff recommends setting a flat discount rate for the bill instead of different rates for each type of service. If the Council wishes to allocate additional General Fund dollars to the LIRA program, it may increase the rate of the discount. However, the annual increases in water and sewer rates should be considered in correlation to any change in the discount percentage.

At the April 6 public hearing, Councilmember Lentz inquired on how the rate increases and LIRA discount change would impact a typical LIRA participant. Following are samples:

Sample usage for # of Persons in Household / income level	**Current Bill**	**Proposed Rates - effective June 15, 2023**
4 units 1-2 persons / $36,620	Water Charge - $22.67 - $8.33 Water Usage – $14.80 - $7.39 Sewer Charge - $80.11 - $33.97 Drought Reserve -$2.32 Capital Charge - $40 Total bill = $110.21 Annualized = $661.26 1.8% of income	Water Charge - $33.35 Water Usage - $18.90 Sewer Charge -$97.36 Drought Reserve -$2.32 Capital Charge - $40 25% discount = (47.98) Total bill = $143.95 Annualized = 863.70 2.4% of income
10 units 4 persons / $55,500	Water Charge - $22.67 - $8.33 Water Usage - $60.18 - $30.03 Sewer Charge - $106.67 - $45.23 Drought Reserve $2.32 Capital Charge - $70 Total bill = $178.25 Annualized = $1,069.50 1.9% of income	Water Charge-$33.35 Water Usage - $56.70 Sewer Charge - $147.10 Drought Reserve -$2.32 Capital Charge - $70 25% discount = (77.37) Total bill = $232.10 Annualized = $1,392.60 2.5% of income

A LIRA customer's water and sewer bill for a household of two currently using 4 units represents 1.8% of their total income. The increase in rates in the first year would result in the

water and sewer bill representing 2.4% of their total income. The annual increase would be approximately $202.

A LIRA customer's water and sewer bill for a household of four currently using 10 units represents 1.9% of their total income. The increase in rates in the first year would result in the water and sewer bill representing 2.5% of their total income. The annual increase would be approximately $323.

Proposition 218 Process

Staff mailed 2,791 letters dated February 17, 2023, to each Brisbane property owner and utility users, informing them about the proposed rate increase, details of the public hearing and instructions on how to submit a written protest and protest in person. As of this writing, 12 written protests have been received by the City Clerk. There are 2,184 parcels with connections to the City's water and sewer systems. If more than 50% of the represented parcels protest the rate increases, the City will not be able to increase the rates. If there is no majority protest, Council may determine the amount of the increases and when the increases will be implemented. As mentioned, staff recommends the rate increases to go into effect June 15, 2023.

Frequently Asked Questions and additional information can be found on the City's website at brisbaneca.org/water-sewer-public-hearing. Related information has also been distributed through weekly email blasts, the STAR, and the City's social media channels.

Fiscal Impact

Following samples of billings based on usage reflect the cost to the customers:

Sample Usage	Current Bill	Proposed Rates - effective June 15, 2023
4 units	Water Charge - $22.67 Water Usage – $14.80 Sewer Charge - $80.11 Drought Reserve -$2.32 Capital Charge - $40	Water Charge - $33.35 Water Usage - $18.90 Sewer Charge -$97.36 Drought Reserve -$2.32 Capital Charge - $40
10 units	Water Charge - $22.67 Water Usage - $60.18 Sewer Charge - $106.67 Drought Reserve $2.32 Capital Charge - $70	Water Charge-$33.35 Water Usage - $56.70 Sewer Charge - $147.10 Drought Reserve -$2.32 Capital Charge - $70

Adopting the resolution would enable the City to cover the costs through revenues collected over five years, resume meeting its debt coverage requirement, and replenish its reserves to 25% of operating expenses.

Environmental Review

Adoption of this resolution increasing water and sewer rates is not subject to further environmental review under the California Environment Quality Act (CEQA) because it is a governmental fiscal activity that does not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment and/or it is general policy and procedure activity and hence, under either situation, not a "project," CEQA Guidelines, Section 15378 (b)(2) and (4).

Measure of Success

The City is able to provide clean, safe drinking water and effectively dispose of wastewater as economically as possible while being financially sustainable.

Carolina Yuen, Finance Director

Clay Holstine, City Manager

Attachments:

Attachment A: Resolution 2023-____ and rate tables with proposed increases

Attachment B: Water and Sewer Rate Study

Attachment C: City's FAQs for the Water and Wastewater Rate Study

RESOLUTION NO. 2023-____

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF BRISBANE INCREASING THE CHARGES FOR WATER AND SEWER SERVICES AND SETTING THE DISCOUNT RATE FOR THE CITY'S LOW INCOME RATE ASSISTANCE PLAN AT 25% FOR ALL SERVICES

WHEREAS, Subsection 13.12.020.C of the Brisbane Municipal Code states that it is the policy of the City to adjust water service charges to reflect increases in the cost of living and the cost of water supplied to the City by San Francisco; and

WHEREAS, Subsection 13.08.020.D of the Brisbane Municipal Code states that it is the policy of the City to adjust sewer service charges to reflect increases in the cost of living and the cost of sewer treatment services furnished to the City by San Francisco; and

WHEREAS, the City Council finds and determines that increases in the cost of providing water service and sewer services to customers in the City have made it necessary to increase the amounts charged by the City for providing such services; and

WHEREAS, proposed schedules of rate increases for water service and sewer services, each to be implemented over a five year period, were presented to the City Council, copies of which are attached hereto and incorporated herein by reference; and

WHEREAS, as required by law, notice of the proposed increased water service and sewer services charges was given to the persons responsible for payment of such charges as reflected in the City's records, which included notice of a public hearing to be conducted by the City Council at which time any formal protests to the proposed increases would be considered and counted, such notice having been given at least 45 days prior to the hearing; and

WHEREAS, as required by law, the City Council, on April 20, 2023, completed a continued public hearing begun on April 6, 2023, on the proposed increases in water service and sewer services charges, during which hearing interested persons were given an opportunity to orally protest or submit a written protest of the proposed increases in charges; and

WHEREAS, formal protests were not made by a majority of the persons who would be responsible for payment of the water and sewer charges,

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Brisbane as follows:

1. The schedules of water service and sewer services charges attached hereto is approved (Attachment A).
2. The discount rate for the City's Low Income Rate Assistance Plan shall be 25% for water service and for sewer services charges.
3. The increased rates for water service and sewer services charges shall be effective as of June 15, 2023, and shall be included in the bimonthly bill which will be sent to

customers in August 2023 and due in October 2023, and included in subsequent billings for water service and sewer services thereafter (as reflected in the schedules in Attachment A).

_____
Mayor

Approved as to Form:

_____
City Attorney

I hereby certify that the foregoing Resolution No. 2023-____ was duly and regularly adopted at the regular meeting of the Brisbane City Council on April 20, 2023, by the following vote:

AYES:
NOES:
ABSTAIN:
ABSENT:

_____
Ingrid Padilla, City Clerk

Approved as to form:

Thomas McMorrow, Legal Counsel

Attachment A

Proposed Bimonthly Water Rates

Rate Effective Date:	PROPOSED WATER RATES June 15, 2023	June 15, 2024	June 15, 2025	June 15, 2026	June 15, 2027
FIXED CHARGES					
Meter Size					
5/8"	$33.35	$36.17	$39.23	$42.55	$46.28
3/4"	$33.35	$36.17	$39.23	$42.55	$46.28
1"	$41.90	$45.45	$49.29	$53.46	$58.12
1-1/2"	$63.29	$68.65	$74.44	$80.75	$87.72
2"	$88.95	$96.49	$104.62	$113.49	$123.24
3"	$157.37	$170.73	$185.10	$200.79	$217.96
4"	$234.35	$254.25	$275.64	$299.01	$324.52
6"	$448.19	$486.25	$527.14	$571.85	$620.52
CONSUMPTION CHARGES (per ccf) (1)					
All Usage over 1 ccf					
Tier 1: 1- 20 ccf	$6.30	$6.76	$7.26	$7.79	$8.36
Tier 2: Over 20 ccf	$12.65	$13.47	$14.34	$15.27	$16.25

(1) 1 ccf = 1 hundred cubic feet = 748 gallons

Proposed Bimonthly Sewer Rates

Rate Effective Date:	PROPOSED SEWER RATES June 15, 2023	June 15, 2024	June 15, 2025	June 15, 2026	June 15, 2027
RESIDENTIAL (1)					
Flat Charge	$64.20	$79.86	$99.32	$123.54	$153.66
Variable Charge (per ccf) (2)	$8.29	$10.15	$12.43	$15.23	$18.67
COMMERCIAL					
Standard					
Flat Charge	$64.20	$79.86	$99.32	$123.54	$153.66
Variable Charge (per ccf)	$9.02	$11.04	$13.53	$16.59	$20.33
Medium					
Flat Charge	$64.20	$79.86	$99.32	$123.54	$153.66
Variable Charge (per ccf)	$11.12	$13.61	$16.68	$20.45	$25.07
Heavy					
Flat Charge	$64.20	$79.86	$99.32	$123.54	$153.66
Variable Charge (per ccf)	$13.21	$16.18	$19.83	$24.32	$29.81

(1) Residential bill is based on winter consumption (Oct, Nov, Dec & Jan)
(2) 1 ccf = 1 hundred cubic feet = 748 gallons

CITY OF BRISBANE

Water and Sewer Utility Rate Study

FINAL REPORT
December 2022

LECHOWICZ + TSENG
MUNICIPAL CONSULTANTS

909 Marina Village Parkway #135
Alameda, CA 94501
(510) 545-3182
www.LTmuniconsultants.com

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SECTION 1: INTRODUCTION

1.1 Background

The City of Brisbane (City) is situated in Northern San Mateo County on the west side of San Francisco Bay. Brisbane borders the cities of San Francisco, Daly City, and South San Francisco. The City provides water and wastewater (sewer) service to about 2,000 customers, serving a total population of about 4,800 people. Both water and sewer rates are billed bimonthly on the same bill. The City's last rate study for water and sewer utility services was prepared in 2001.

In 2021, the City engaged Lechowicz & Tseng Municipal Consultants to complete a comprehensive water and wastewater (sewer) rate study to recommend utility rates to ensure the financial health and stability of the City's water and sewer funds. This study focuses only on the water and sewer rates used to pay for operations, including salaries, wholesale water purchases, treatment charges, supplies and services, and other operating expenses. The operational water and sewer rates do not pay for capital projects, which are funded separately with the Capital Project Charge. Additionally, customers also pay a separate Drought Contingency Surcharge that is set aside in a specific reserve fund to avoid raising rates during a drought. This study recommends water and sewer rates for the five-year period beginning in 2023/24 through 2027/28.

The City's Utility Fund (Fund 540) includes four funds - 1) City Water Utilities (Fund 6110), 2) City Water Maintenance (Fund 6115), 3) City Sewer Utilities (Fund 6130), and 4) the Guadalupe Valley Municipal Improvement District (GVMID) Utility (Fund 6120). The GVMID provides water, sewer, and stormwater services to business and residents located within its district boundaries. The City of Brisbane provides both the management and staff for GVMID, and the water and sewer systems are maintained by the City's Public Works Department as part of the City's overall water and sewer systems.

In order to determine the revenue requirements and rate increases needed for water and sewer separately, the City Water Utilities (Fund 6110), City Water Maintenance (Fund 6115), and GVMID Water funds have been combined into a single fund called the "Water Utility." Similarly, the City Sewer Utilities (Fund 6130) and GVMID Sewer have been combined into a single fund called the "Sewer Utility." GVMID storm water revenues and expenses are not included in this study.

1.2 Requirements of Proposition 218

The implementation of utility rates in California is governed by the substantive and procedural requirements of Proposition 218 the "Right to Vote on Taxes Act" which is codified as Articles XIIIC and XIIID of the California Constitution. The City must follow the procedural requirements of Proposition 218 for all utility rate increases. These requirements include:

1. **Noticing Requirement** – The City must mail a notice of the proposed rate increases to all affected property owners or ratepayers. The notice must specify the amount of the fee, the

basis upon which it was calculated, the reason for the fee, and the date/time/location of a public rate hearing at which the proposed rates will be considered/adopted.

2. **Public Hearing** – The City must hold a public hearing prior to adopting the proposed rate increases. The public hearing must be held not less than 45 days after the required notices are mailed.

3. **Rate Increases Subject to Majority Protest** – At the public hearing, the proposed rate increases are subject to majority protest. If more than 50% of affected property owners or ratepayers submit written protests against the proposed rate increases, the increases cannot be adopted.

Proposition 218 also established substantive requirements that apply to water and sewer rates and charges, including:

1. **Cost of Service** – Revenues derived from the fee or charge cannot exceed the funds required to provide the service. In essence, fees cannot exceed the "cost of service".

2. **Intended Purpose** – Revenues derived from the fee or charge can only be used for the purpose for which the fee was imposed.

3. **Proportional Cost Recovery** – The amount of the fee or charge levied on any customer shall not exceed the proportional cost of service attributable to that customer.

4. **Availability of Service** – No fee or charge may be imposed for a service unless that service is used by, or immediately available to, the owner of the property.

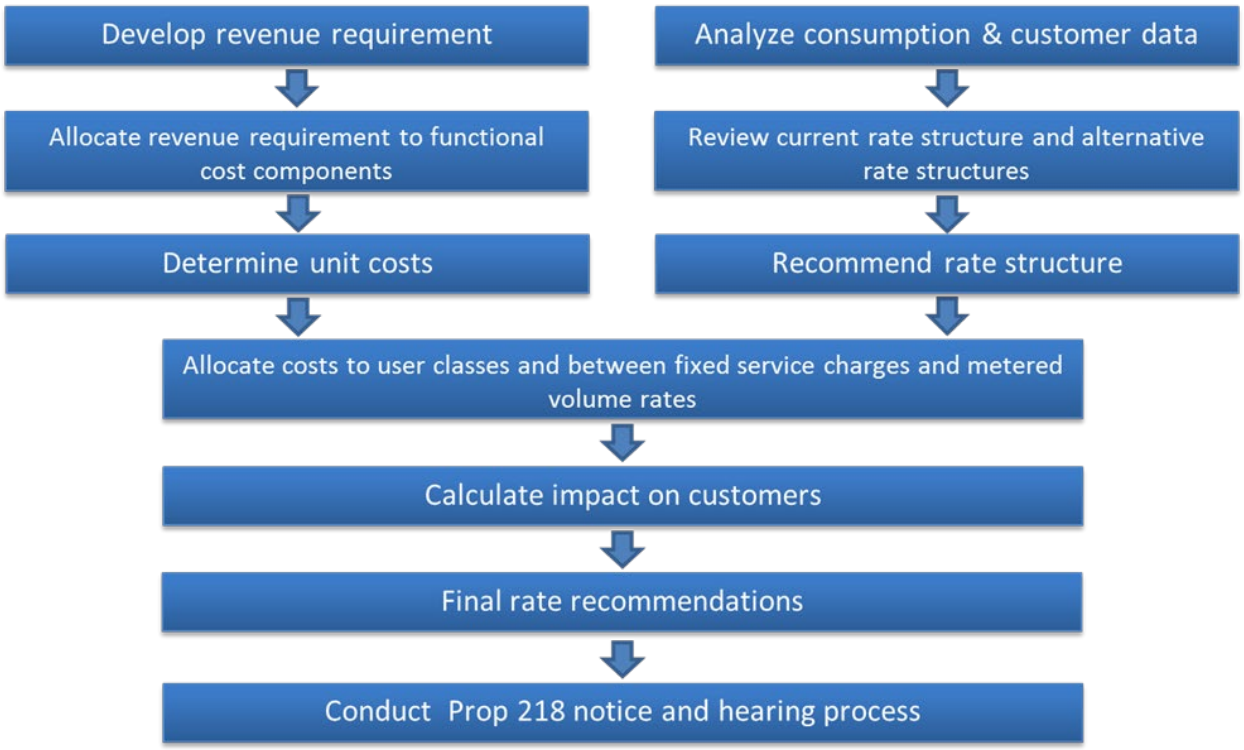
5. **General Government Services** – No fee or charge may be imposed for general governmental services where the service is available to the public at large.

Charges for water and sewer collection are exempt from additional voting requirements of Proposition 218, provided the charges do not exceed the cost of providing service and are adopted pursuant to the procedural requirements of Proposition 218.

1.3 Rate Study Process

This section details the development of the City's water and sewer rates via the Proposition 218 process as shown in the following figure.

Figure 1: Comprehensive Cost of Service Study Process



The following is a brief description of the rate study process:

- **Revenue Requirements** - Revenue requirements are analyzed via financial plans developed from the Water and Sewer Fund budgets. Based on the best information currently available, the financial plans incorporate projected operation and maintenance costs, debt service, and growth to estimate annual revenue requirements. The plans serve as a roadmap for funding the City's future operating expenses while maintaining long-term fiscal stability.

- **Cost of Service Allocation** - The cost of service process builds on the financial plan analysis and assigns water and sewer system costs to functional cost components: *metering and customer service*, *base,* and *extra* for water, and *customer service*, *capital*, and *treatment/disposal* for sewer.

- **Rate Design** - Rate design involves developing a rate structure that proportionately recovers costs from customers. Final rate recommendations are designed to (a) fund the utilities' short- and long-term costs of providing service; (b) proportionately allocate costs to all customers and customer classes; and (c) comply with the substantive requirements of Proposition 218.

The rates developed in this report were based on the best information available at the time of the study. This information was taken from City budgets, audits, billing information, water consumption data, and input from staff. The cost allocations proposed herein are based on American Water Works Association methodologies and industry standard practice. The proposed rates are based on the reasonable cost of providing service and are proportional to the benefits received by each customer.

SECTION 2: WATER RATE STUDY

The City of Brisbane provides water service to approximately 1,300 City water accounts and 700 GVMID water accounts. On average, the City consumes over 270,000 ccf (hundred cubic feet) of water each year. The last water rate study was conducted in 2001, and water rates for operations have not increased since 2012. Based on City billing records, the current average monthly residential water use is 5 ccf per month, or a total of 10 ccf per bimonthly billing period. The average water bill is currently $120.17 per bimonthly billing period, including Drought Contingency and Capital Project charges.

2.1 Current Water Rates

Schedules of current bimonthly water rates for residential, commercial, and irrigation customers are provided in Table 1, Table 2, and Table 3. The City's current water rate structure includes two components: (a) a Fixed Charge and (b) a Consumption Rate. Moreover, customers are levied two additional charges on their bimonthly utility bill - a Capital Project Charge and a Drought Contingency Charge.

2.1.1 Fixed Charge

All customers are charged a base service charge based on the size of their water meter. The Fixed Charge is levied regardless of water consumption and recognizes that even when a customer does not use any water, the City incurs fixed costs associated with maintaining the ability or readiness to serve each connection. The current Fixed Charges also vary based on customer class. For example, a residential customer with a 5/8"or 3/4" meter currently pays $22.67 while a commercial or irrigation customer with the same meter size pays $35.07.

The Fixed Charges are designed to recover the City's fixed expenses and currently generate about 15% of total water rate revenues. Fixed costs include staffing, customer service, debt service, system maintenance, and repairs.

2.1.2 Consumption Rate

In addition to the Fixed Charges, all customers pay a Consumption Rate per ccf of water consumption per billing period. One ccf is equal to 748 gallons of water. The charges for water usage are based on a tiered rate system where the price per unit of water is higher as more water is used. The highest rates start at 16 ccf of water usage for each customer class. Most customers pay based on a three-tiered rate structure. However, residential customers with a 5/8" meter receive one unit of water for free and have a five-tiered rate structure and residential customers with a 3/4" meter have four tiers.

The Consumption Rate is intended to recover costs that vary based on the amount of water consumed and currently generate roughly 85% of total water rate revenues. Variable expenses include water purchases, utilities, and chemicals.

2.1.3 Capital Project Charge

In April of 2014, the City Council approved the first Capital Project Charge to pay for infrastructure projects for the water and sewer systems. The projects are based on the City's Capital Improvement Plan which outlines the need for approximately $5 million in projects every five years. The policy adopted in 2014 included placing a new Capital Project Charge on the water and sewer bill four times over a twenty-year period. The second charge should have been implemented in 2020 but was delayed due to the impacts of COVID. To prevent further delays in completing the projects, the City Council adopted the second of four increases to the Capital Project Charge in October 2022.

The Capital Project Charge is levied according to a tiered rate system based on springtime usage (mid-February through mid-June) to ensure that lower water users pay less than higher users. Total Capital Project Charge revenue is evenly split between the water and sewer funds. The Capital Project Charge will not be reviewed or analyzed in this study.

2.1.4 Drought Contingency Charges

Approved by the City in 2018, the Drought Contingency Charge was enacted to create a separate drought reserve fund with the objective of avoiding having to raise rates in times of severe water shortages. For residential and commercial accounts, the charge is $2.32 per bimonthly billing period for customers whose annual average consumption is below the median use of 12 ccf. For customers whose use is above the median, the bimonthly charge is $6.99. For irrigation customers, the charge is $102.14 per billing period. The Drought Contingency Charge will not be reviewed or analyzed in this study.

Table 1: Current Bi-Monthly Residential Water Rates
City of Brisbane
Water Utility Rate Study 2022

RESIDENTIAL WATER RATES		
FIXED CHARGES		
Meter Size		Bimonthly Charge
5/8"		$22.67
3/4"		$22.67
1"		$30.60
1-1/2"		$61.14
2"		$97.85
3"		$195.73
4"		$305.78
CONSUMPTION CHARGES		
Meter Size	Tier	Bimonthly Charge
5/8"	0 - 1 ccf	$0.00
	1 - 2 ccf	$2.17
	3 ccf	$5.63
	4 - 8 ccf	$7.00
	9 - 16 ccf	$8.69
	Over 16 ccf	$11.05
3/4"	0 - 3 ccf	$5.19
	4 - 8 ccf	$7.00
	9 - 16 ccf	$8.69
	Over 16 ccf	$11.05
All Other Meter Sizes	0 - 8 ccf	$7.00
	9 - 16 ccf	$8.69
	Over 16 ccf	$11.05

Effective 10/15/2012
ccf = cubic feet. 1 ccf = 748 gallons

Table 2: Current Bi-Monthly Commercial Water Rates
City of Brisbane
Water Utility Rate Study 2022

COMMERCIAL WATER RATES		
FIXED CHARGES		
Meter Size		Bimonthly Charge
5/8"		$35.07
3/4"		$41.46
1"		$58.41
1-1/2"		$116.80
2"		$186.90
3"		$373.75
4"		$587.00
6"		$1,168.00
CONSUMPTION CHARGES		
Meter Size	Tier	Bimonthly Charge
5/8" & 3/4"	0 - 8 ccf	$5.20
	9 - 16 ccf	$8.69
	Over 16 ccf	$11.05
All Other Meter Sizes	0 - 8 ccf	$7.00
	9 - 16 ccf	$8.69
	Over 16 ccf	$11.05

Effective 10/15/2012
ccf = cubic feet. 1 ccf = 748 gallons

Table 3: Current Bi-Monthly Irrigation Water Rates
City of Brisbane
Water Utility Rate Study 2022

IRRIGATION WATER RATES		
FIXED CHARGES		
Meter Size		Bimonthly Charge
5/8"		$35.07
3/4"		$41.46
1"		$44.64
1-1/2"		$66.95
2"		$92.47
3"		$178.56
4"		$521.55
CONSUMPTION CHARGES		
Meter Size	Tier	Bimonthly Charge
All except for 4"	0 - 8 ccf	$5.18
	9 - 16 ccf	$11.35
	Over 16 ccf	$13.19
4" Meter	0 - 8 ccf	$8.49
	9 - 16 ccf	$11.35
	Over 16 ccf	$13.19

Effective 10/15/2012
ccf = cubic feet. 1 ccf = 748 gallons

2.2 Water System Overview

2.2.1 Water System

The City obtains all of its water from the San Francisco Public Utilities Commission (SFPUC) through five turnouts of the Crystal Springs Pipeline. Approximately 80% of the SFPUC's water supply is from the Hetch Hetchy Reservoir in Yosemite National Park, with the Alameda and Peninsula Watersheds supplying the remainder.

The City operates two separate water districts—the City of Brisbane Water District and the Guadalupe Valley Municipal Improvement District (GVMID). GVMID serves Crocker Industrial Park and the Northeast Ridge Development, while the City of Brisbane Water District serves the remainder of the City including Central Brisbane, Sierra Point, and the Baylands. The City Water Enterprise is interconnected with the GVMID Combined Enterprise, allowing for maximum circulation and flow within the system. The combined water distribution system includes 5 water storage tanks, 4 booster pump stations serving 7 pressure zones, more than 25 miles of underground pipeline, and over 700 valves.

2.2.2 Water Customers

The City of Brisbane provides water service to approximately 1,284 City water accounts and 754 GVMID water accounts as shown on Table 4. The majority of customers are single family residential customers with 5/8" meters.

Table 4: Number of Water Accounts by Meter Size & Customer Class for 2020
City of Brisbane
Water Utility Rate Study 2022

	5/8"	3/4"	1"	1-1/2"	2"	3"	4"	TOTAL	% of Total
CITY									
Single Family Residential	832	89	90	19	0	0	0	1,030	50.5%
Multi-Family Residential	79	7	12	7	6	1	1	113	5.5%
Commercial/Government	55	9	6	4	12	9	3	98	4.8%
Landscape	1	3	6	2	16	4	0	32	1.6%
Hydrant	0	0	0	0	0	11	0	11	0.5%
Total City	967	108	114	32	34	25	4	1,284	63.0%
GVMID									
Single Family Residential	351	26	50	77	0	0	0	504	24.7%
Multi-Family Residential	0	0	0	0	0	0	0	0	0.0%
Commercial/Government	90	19	21	31	21	6	0	188	9.2%
Landscape	1	3	7	24	25	0	0	60	2.9%
Hydrant	0	0	0	0	0	2	0	2	0.1%
Total GVMID	442	48	78	132	46	8	0	754	37.0%
Customer Class									
Single Family Residential	1,183	115	140	96	0	0	0	1,534	75.3%
Multi-Family Residential	79	7	12	7	6	1	1	113	5.5%
Commercial/Government	145	28	27	35	33	15	3	286	14.0%
Landscape	2	6	13	26	41	4	0	92	4.5%
Hydrant	0	0	0	0	0	13	0	13	0.6%
TOTAL WATER ACCOUNTS	**1,409**	**156**	**192**	**164**	**80**	**33**	**4**	**2,038**	100.0%

Source: Number of Accts & Total Water Use by Class 2018-2020

2.2.3 Water Consumption

Table 5 summarizes annual water consumption by customer class for the past 3 calendar years. In 2020, total consumption increased approximately 8.0%. In total, residential customers (single family and multi-family) account for roughly 36% of overall consumption. Commercial accounts represent approximately 35% of total use. Irrigation use accounts for 26% of total consumption, followed by hydrant use at nearly 3%.

Table 5: Annual Water Consumption
City of Brisbane
Water Utility Rate Study 2022

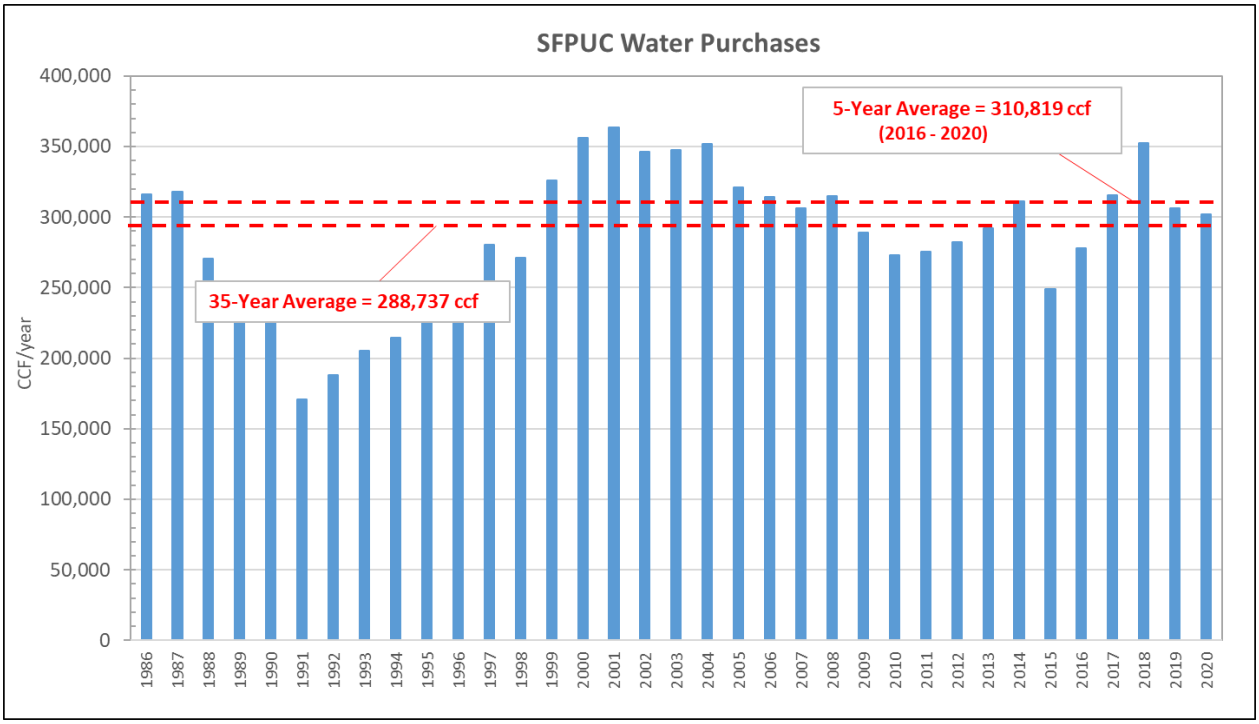
Calendar Year	2018	2019	2020	3-Year Average	% of Total
CITY					
Single Family Residential	56,169	55,666	61,134	57,656	20.4%
Multi-Family Residential	15,312	16,603	17,437	16,451	5.8%
Commercial/Government	33,983	32,443	28,959	31,795	11.2%
Landscape	37,177	31,786	39,283	36,082	12.7%
Hydrant	0	0	22,998	7,666	2.7%
Total City	142,641	136,498	169,811	149,650	52.9%
Percent Change		*-4%*	*24%*		
GVMID					
Single Family Residential	26,197	26,553	30,662	27,804	9.8%
Multi-Family Residential	0	0	0	0	0.0%
Commercial/Government	79,437	69,714	51,947	67,033	23.7%
Landscape	38,456	37,544	39,409	38,470	13.6%
Hydrant	0	0	184	61	0.0%
Total GVMID	144,090	133,811	122,202	133,368	47.1%
Percent Change		*-7.1%*	*-8.7%*		
TOTAL					
Single Family Residential	82,366	82,219	91,796	85,460	30.2%
Multi-Family Residential	15,312	16,603	17,437	16,451	5.8%
Commercial/Government	113,420	102,157	80,906	98,828	34.9%
Landscape	75,633	69,330	78,692	74,552	26.3%
Hydrant	0	0	23,182	7,727	2.7%
TOTAL WATER USE	**286,731**	**270,309**	**292,013**	**283,018**	**100.0%**
Percent Change		*-5.7%*	*8.0%*		

Source: Number of Accts & Total Water Use by Class 2018-2020

2.2.4 SFPUC Wholesale Water

This chart shows the City's historical SFPUC water purchases over the past 35 years by calendar year. The five-year average from 2016 through 2020 is 310,819 ccf.

Figure 2: Historical SFPUC Water Purchases
City of Brisbane
Water Utility Rate Study 2022



2.3 Water Financial Plan

2.3.1 Water Reserves

For accounting, the City's Utility Fund (Fund 540) combines water and sewer finances into one fund. As of July 1, 2021, the total fund balance for the Utility Fund (Fund 540) in "Cash and investments" was approximately $7.7 million. However, for the purposes of this study, the total reserves have been allocated between the water and sewer funds as shown on Table 6. Because the Sewer Utility is currently operating in a deficit, additional reserves have been assigned to the sewer utility to mitigate rate impacts. Cash reserves are not split evenly between the water and sewer funds. The allotted beginning fund balance for the water utility is $2.8 million.

Table 6: Utility Fund (Fund 540) Reserves
City of Brisbane
Water Utility Rate Study 2022

Fund	Beginning Balance as of June 30, 2021
Total Utility Fund (Fund 540) Reserves (1)	$7,656,890
Water Utility Reserves (2)	$2,828,445
Sewer Utility Reserves (2)	$4,828,445

1) Cash and investments (Unaudited Financials).
Source: Proprietry Funds, Statement of Net Position, June 30, 2020
2) Includes GVMID

Adequate fund reserves protect the City when faced with unforeseen financial challenges such as emergency expenses or revenue deficits. Fund reserves allow the City to maintain its financial health and positive credit ratings, especially during emergencies. Moreover, funding can be drawn from reserves to supplement rate revenues lost during drought conditions or other unexpected situations. It is acceptable if reserves dip below the target on a temporary basis, provided the City takes action to attain the target over the longer run.

The City currently has two water reserve fund targets:

- *Operating Reserve:* The fund balance target is equal to 35% of annual operating expenses per City policy. This is in line with industry standards that recommend an operating reserve target of at least 25% of annual expenses to account for the time (at least 4 months) that it would take an agency to approve new rate increases to comply with Proposition 218.

- *Drought Reserve:* The fund balance target is $700,000 which the City would draw on only if needed during times of severe drought. This reserve is funded by the Drought Contingency Surcharges.

2.3.2 Water Revenues

Table 7 shows a history of revenues for Utility Fund (Fund 540). The “Water Sales” revenues are evenly split between City Water and GVMID Water. “Sewer Service Charges” are evenly split between City Sewer and GVMID Sewer. The “GVMID Only” tax revenues are divided evenly between the three GVMID utilities (GVMID water, sewer, and storm drain). The GVMID storm drain revenues are not included in this study. All Other Revenues including “Investment Earnings,” “Low Income Rate Assistance,” and “Capital Charge” are divided evenly amongst the four utilities.

Table 7: Utility Fund (Fund 540) Budgeted Revenues
City of Brisbane
Water Utility Rate Study 2022

REVENUE CATEGORY		Actual 2018/19	Budgeted 2019/20	Budgeted 2020/21	Budgeted 2021/22
WATER ONLY (1)					
40801	Water Sales	$3,050,110	$2,950,000	$2,750,000	$3,000,000
40804	Meter Connection Fees	$68,663	$20,000	$20,000	$20,000
40805	Fire Service Charges	$118,952	$115,000	$115,000	$115,000
40806	Altamar Meter Reading Fee	$7,656	$7,500	$7,500	$7,500
	Drought Reserve Charge	$95,481	$120,000	$100,000	$100,000
	Total Water Only	**$3,340,862**	**$3,212,500**	**$2,992,500**	**$3,242,500**
SEWER ONLY (2)					
40820	Sewer Service Charges	$2,188,866	$2,200,000	$2,000,000	$2,000,000
40821	Sewer Connection Fees	$123,706	$3,000	$3,000	$3,000
	Total Sewer Only	**$2,312,572**	**$2,203,000**	**$2,003,000**	**$2,003,000**
GVMID ONLY (3)					
40101	Current Secured Tax	$27,358	$29,000	$29,000	$29,000
40102	Current Unsecured Tax	$1,513	$1,500	$1,500	$1,500
40103	Prior Year Tax	($1)	$0	$0	$0
40105	Supplemental Property Taxes	$1,048	$0	$0	$0
40108	Property Tax from RDA	$2,866	$100	$100	$100
40150	ERAF	$134	$100	$100	$100
	Total GVMID	**$32,918**	**$30,700**	**$30,700**	**$30,700**
ALL OTHER REVENUES (4)					
40501	Investment Earnings	$133,599	$50,000	$50,000	$50,000
40503	Unrealized-Gain/Loss	$96,152	$0	$0	$0
40609	H.O.P.T R	$121	$100	$100	$100
40770	Processing Fee	$5,472	$0	$0	$0
40802	Account Open/Reconnections	$2,987	$3,000	$3,000	$3,000
40803	Late Payment Charges	$8,117	$10,000	$10,000	$10,000
40810	Less: Low Income Rate Assistance	($42,336)	($50,000)	($75,000)	($75,000)
40825	Capital Charge	$378,443	$365,000	$365,000	$365,000
40941	Returned Check Fees	$75	$0	$0	$0
40959	Reimbursed Expenses - Current Year	$3,541	$0	$0	$0
40961	Transfers from Other Funds	$43,000	$50,000	$75,000	$75,000
	Total All Other Revenues	**$629,172**	**$428,100**	**$428,100**	**$428,100**
	TOTAL REVENUES	**$6,315,524**	**$5,874,300**	**$5,454,300**	**$5,704,300**

Source: Budget 2020_2022
1 - Divided by 2 between City Water & GVMID Water
2 - Divided by 2 between City Sewer & GVMID Sewer
3 - Divided by 3 between GVMID Water, Sewer, & Stormwater
4 - Divided by 4 between City Water, City Sewer, GVMID Water, & GVMID Sewer

Table 8 summarizes total revenues for the Water Utility. For 2021/22, Water Sales are estimated at $3 million with total water revenues projected at $3.4 million.

Table 8: Water Utility Revenues
City of Brisbane
Water Utility Rate Study 2022

	Actual	Budget		
	2018/19	2019/20	2020/21	2021/22
WATER REVENUES				
Water Sales	$3,050,110	$2,950,000	$2,750,000	$3,000,000
Other Water Only Revenues (1)	$195,271	$142,500	$142,500	$142,500
Drought Reserve Charge	$95,481	$120,000	$100,000	$100,000
All Other Revenues (2)	$314,586	$214,050	$214,050	$214,050
Total	$3,655,448	$3,426,550	$3,206,550	$3,456,550
Percent Change		*-6.3%*	*-6.4%*	*7.8%*

1 - Includes Meter Connection Fees, Fire Service Charges, and Altamar Meter Reading Fees
2 - All Other Revenues divided by 2 (Table 7)

2.3.3 Water Expenses

Table 9 summarizes the operating expenses for Water Utilities (Fund 1110). On average, operating expenses have increased by 7% over the past 4 years.

Table 9: Water Utilities (Fund 1110) Operating Expenses
City of Brisbane
Water Utility Rate Study 2022

Expense (1)	Actual 2018/19	Budgeted 2019/20	Budgeted 2020/21	Budgeted 2021/22	Avg Annual Increase
Salaries	$176,372	$270,136	$369,070	$383,832	
Percent Change	*12.9%*	*53.2%*	*36.6%*	*4.0%*	*21.5%*
Payroll Taxes	$2,642	$3,884	$5,308	$5,522	
Percent Change	*13.1%*	*47.0%*	*36.7%*	*4.0%*	*20.2%*
Benefits	$112,905	$180,750	$186,854	$217,088	
Percent Change	*28.0%*	*60.1%*	*3.4%*	*16.2%*	*17.8%*
Insurance	$26,657	$28,196	$45,594	$45,764	
Percent Change	*36.3%*	*5.8%*	*61.7%*	*0.4%*	*14.5%*
Supplies and Services	$1,092,293	$1,111,297	$1,247,416	$1,236,584	
Percent Change	*4.8%*	*1.7%*	*12.2%*	*-0.9%*	*3.2%*
Admin Charges and Credits	$300,162	$323,897	$322,357	$346,290	
Percent Change	*7.0%*	*7.9%*	*-0.5%*	*7.4%*	*3.6%*
TOTAL FUND 1110 OPERATING EXPENSES	**$1,711,033**	**$1,918,160**	**$2,176,599**	**$2,235,080**	
Percent Change	*7.7%*	*12.1%*	*13.5%*	*2.7%*	*6.9%*

Source: Budget 2020_2022
1 - Does not include depreciation

Table 10 summarizes the operating expenses for GVMID Utility (Fund 6120). On average, total GVMID operating expenses have increased by 7% over the past 4 years. Each expense category is divided by 3 to determine how much should be allocated to the Water Utility, Sewer Utility, and GVMID storm water. GVMID storm water expenses are not included in this study.

Table 10: GVMID Combined Utility (Fund 6120) Operating Expenses
City of Brisbane
Water Utility Rate Study 2022

Expense (1)	Actual 2018/19	Budgeted 2019/20	Budgeted 2020/21	Budgeted 2021/22	Avg Annual Increase	2021/22 Budget per Utility (2)
Salaries	$180,809	$179,236	$333,150	$345,879		$115,293
Percent Change	*-5.3%*	*-0.9%*	*85.9%*	*3.8%*	*17.6%*	
Payroll Taxes	$3,987	$2,306	$4,584	$4,769		$1,590
Percent Change	*39.2%*	*-42.2%*	*98.8%*	*4.0%*	*4.6%*	
Benefits	$98,172	$95,450	$153,452	$181,974		$60,658
Percent Change	*0.8%*	*-2.8%*	*60.8%*	*18.6%*	*16.7%*	
Insurance	$15,567	$16,406	$39,376	$39,521		$13,174
Percent Change	*-7.8%*	*5.4%*	*140.0%*	*0.4%*	*26.2%*	
Supplies and Services	$1,105,804	$1,166,543	$1,165,054	$1,291,240		$430,413
Percent Change	*41.8%*	*5.5%*	*-0.1%*	*10.8%*	*4.0%*	
Admin Charges and Credits	$303,900	$335,321	$341,554	$380,262		$126,754
Percent Change	*-2.0%*	*10.3%*	*1.9%*	*11.3%*	*5.8%*	
TOTAL GVMID UTILITY OPERATING EXPENSES	**$1,708,239**	**$1,795,263**	**$2,037,171**	**$2,243,645**		**$747,882**
Percent Change	*22.2%*	*5.1%*	*13.5%*	*10.1%*	*7.1%*	

Source: Budget 2020_2022

1 - Does not include expenses to "Operate a Storm Drain System" or Depreciation

2 - Budget divided by the 3 GVMID utilties (water, sewer, & storm water)

Table 11 combines the Water Utilities (Fund 1110) Operating Expenses from Table 9 with the GVMID Combined Utility (Fund 6120) Operating Expenses from Table 10 to calculate the total Water Utility expenses. As described above, only one third of the GVMID Combined Utility expenses are categorized as Water Utility expenses.

Table 11: Water Utility Combined Operating Expenses
City of Brisbane
Water Utility Rate Study 2022

Expense (1)	Actual 2018/19	Budget 2019/20	Budget 2020/21	Budget 2021/22
Salaries	$236,642	$329,881	$480,120	$499,125
Payroll Taxes	$3,971	$4,653	$6,836	$7,112
Benefits	$145,629	$212,567	$238,005	$277,746
Insurance	$31,846	$33,664	$58,719	$58,938
Supplies and Services	$1,460,895	$1,500,145	$1,635,767	$1,666,998
Admin Charges and Credits	$401,462	$435,670	$436,209	$473,044
TOTAL WATER OPERATING EXPENSES	**$2,280,446**	**$2,516,581**	**$2,855,656**	**$2,982,962**
Percent Change	*11.0%*	*10.4%*	*13.5%*	*4.5%*

Source: Budget 2020_2022

1 - Does not include Depreciation

Table 12 includes a projection of future water operating expenses over the next five years through 2027/28. Escalation factors were determined using City input. Supplies and Services, which includes water purchases, is projected to increase by 10.0% each year. Salaries and Benefits are projected to increase by 4.0% each year. Insurance is increased by 5.0% per year, and Admin Charges and Credits are escalated by 3.0% each year. Overall, water operating expenses are projected to increase by approximately 7 to 8% each year.

Table 12: Water Utility Projection of Future Operating Expenses
City of Brisbane
Water Utility Rate Study 2022

Expense (1)	Budget 2021/22	Escalation Factor	Projected 2022/23	Years 1 -5: Proposition 218 2023/24	2024/25	2025/26	2026/27	2027/28
Salaries	$499,125	4.0%	$519,000	$540,000	$562,000	$584,000	$607,000	$631,000
Payroll Taxes	$7,112	4.0%	$7,000	$7,000	$7,000	$7,000	$7,000	$7,000
Benefits	$277,746	4.0%	$289,000	$301,000	$313,000	$326,000	$339,000	$353,000
Insurance (2)	$58,938	5.0%	$65,000	$68,000	$71,000	$75,000	$79,000	$83,000
Supplies and Services	$1,666,998	10.0%	$1,932,000	$2,125,000	$2,338,000	$2,572,000	$2,829,000	$3,112,000
Admin Charges and Credits	$473,044	3.0%	$487,000	$502,000	$517,000	$533,000	$549,000	$565,000
TOTAL WATER OPERATING EXPENSES	**$2,982,962**		**$3,299,000**	**$3,543,000**	**$3,808,000**	**$4,097,000**	**$4,410,000**	**$4,751,000**
Percent Change	*4.5%*		*10.6%*	*7.4%*	*7.5%*	*7.6%*	*7.6%*	*7.7%*

Source: Budget 2020_2022

1 - Does not include Depreciation

2.3.4 Water Purchases

As shown on Table 13, wholesale water purchases are the largest expense for the Water Utility, accounting for nearly half of total operating expenses in 2022/23.

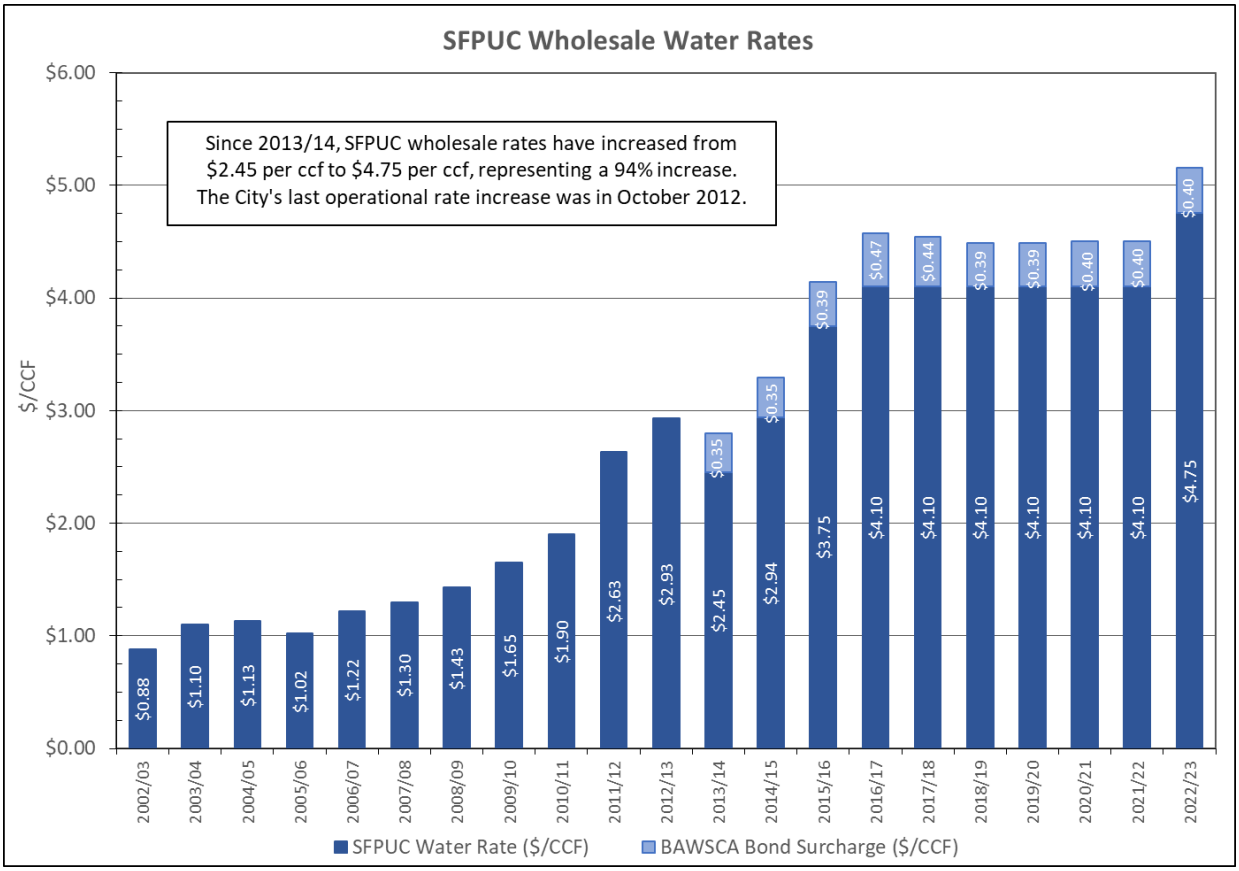
Table 13: SFPUC Water Purchase Costs
City of Brisbane
Water Utility Rate Study 2022

	Budget				Projected
	2018/19	2019/20	2020/21	2021/22	2022/23
Estimated SFPUC Rate ($ per ccf) (1)	$4.49	$4.49	$4.50	$4.50	$5.15
% Increase		*0.0%*	*0.2%*	*0.0%*	*14.5%*
Estimated Total Water Purchased (ccf)	352,347	306,221	302,003	302,003	311,063
% Increase		*-13.1%*	*-1.4%*	*0.0%*	*3.0%*
Total Water Purchases	$1,582,038	$1,374,932	$1,359,014	$1,359,014	$1,602,566
% Increase		*-13.1%*	*-1.2%*	*0.0%*	*17.9%*
Total Water Operating Expenses	$2,280,446	$2,516,581	$2,855,656	$2,982,962	$3,299,000
% Increase		*10.4%*	*13.5%*	*4.5%*	*10.6%*
% of Water Purchases / Total Operating Expenses	69.4%	54.6%	47.6%	45.6%	48.6%

1 - Includes both the water rate and BAWSCA Surcharge

In 2022/23, the SFPUC implemented a 16% increase for its water rates to $4.75 per ccf. The SFPUC is nearing its completion of the $4.8 billion Water System Improvement Project (WSIP) to upgrade the Hetch Hetchy Water System; however, the SFPUC is projecting significant increases to its operating costs over the next five years and rates are projected to continue to increase. Figure 3 shows historical SFPUC wholesale water rates.

Figure 3: Historical SFPUC Wholesale Water Rates
City of Brisbane
Water Utility Rate Study 2022



The chart above shows SFPUC's historical wholesale water rates since 2002/03. Since 2013/14, SFPUC wholesale rates have increased from $2.45 per ccf to $4.75 per ccf, representing a 94% increase. To be conservative, this study estimates that wholesale rates will increase by 10.0% each year during the rate study period. The chart shows the actual wholesale water rate as well as the separate BAWSCA bond surcharge.

In 2013, BAWSCA issued Revenue Bonds (Series 2013A and 2013B) to prepay the remaining capital cost recovery payments that the BAWSCA member agencies owed the SFPUC as of June 30, 2013. Beginning in 2013/14, BAWSCA began collecting a fixed bond surcharge from each member agency as a separate item on their monthly water bills from the SFPUC. The payments are used to make debt service payments on the revenue bonds, reimburse bond administration expenses, and, as necessary, replenish a stabilization fund set up to limit the volatility in annual changes in the payments.

The allocation of the bond surcharge among the BAWSCA member agencies in a given year is based on the prior year's actual water sales to each agency. The following year, a financial reconciliation is

performed where each agency's final payments are adjusted based on actual water sales during the prior year. The current BAWSCA bond surcharge is $0.40 per ccf.

2.3.5 Water Net Revenues

The water utility has been doing well for the past few years, fully covering costs while building reserves. For 2021/22, total net revenues are projected at approximately $155,245, as noted below in Table 14.

Table 14: Water Net Revenues
City of Brisbane
Water Utility Rate Study 2022

	Actual	Budget		
	2018/19	2019/20	2020/21	2021/22
WATER REVENUES				
Water Sales Revenues	$3,050,110	$2,950,000	$2,750,000	$3,000,000
Other Revenues	$605,338	$476,550	$456,550	$456,550
Total	$3,655,448	$3,426,550	$3,206,550	$3,456,550
WATER EXPENSES				
Operating	$2,280,446	$2,516,581	$2,855,656	$2,982,962
Debt Service	$312,156	$313,906	$315,156	$318,344
Subtotal	$2,592,602	$2,830,487	$3,170,812	$3,301,305
TOTAL NET REVENUES	**$1,062,846**	**$596,063**	**$35,738**	**$155,245**

2.3.6 Debt Service

The Water Utility currently has one outstanding debt obligation that is shared with the Sewer Utility – the 2015 Utility Revenue Bonds for $8.3 million. Total debt service for 2022/23 is $632,063, see Table 15. Debt service payments are split evenly between the Water Utility and Sewer Utility.

Table 15: 2015 Utility Revenue Bonds - Debt Service Schedule
City of Brisbane
Water Utility Rate Study 2022

Fiscal Year Ending June 30	Principal	Interest	Total Debt Service (1)
2016	$170,000	$247,103	$417,103
2017	$305,000	$327,763	$632,763
2018	$310,000	$318,513	$628,513
2019	$320,000	$304,313	$624,313
2020	$340,000	$287,813	$627,813
2021	$360,000	$270,313	$630,313
2022	$385,000	$251,688	$636,688
2023	$400,000	$232,063	$632,063
2024	$415,000	$211,688	$626,688
2025	$440,000	$190,313	$630,313
2026	$455,000	$167,938	$622,938
2027	$480,000	$149,363	$629,363
2028	$490,000	$134,813	$624,813
2029	$510,000	$119,175	$629,175
2030	$525,000	$102,356	$627,356
2031	$540,000	$84,713	$624,713
2032	$570,000	$65,625	$635,625
2033	$305,000	$50,313	$355,313
2034	$320,000	$39,175	$359,175
2035	$330,000	$23,063	$353,063
2036	$340,000	$6,375	$346,375
TOTALS	$8,310,000	$3,584,471	$11,894,471

(1) Debt service is allocated 50% to the Water Utility and 50% to the Sewer Utility.

Debt Service Coverage

A chief covenant for the City to secure State loans/grants or revenue bonds/Certificates of Participation (COPs) is to maintain a specific debt service coverage ratio. A debt service coverage ratio is a financial measure of an agency's ability to repay outstanding debt. For the 2015 Utility Revenue Bonds, the debt service coverage ratio means that annual water net revenues (gross revenues less operating and maintenance expenses) must be at least 1.25 times the combined annual debt service payments on all

parity obligations. Failure to meet the debt service coverage ratio on an annual basis is considered to be technical default, thereby making the revenue bonds/COPs callable or payable upon demand. Thus, rates and fees must be set to meet this legal requirement. Moreover, failing to meet debt service coverage may hinder the City's ability to qualify for future bond funding.

2.3.7 Water Cash Flow Objectives

With input from City Staff, L&T developed three water cash flow scenarios based on various rate increase options. The following three goals are indicators of the overall fiscal health of the Water Utility, and the proposed rate adjustments for the rate scenarios have been designed to meet these objectives.

1. Meet debt service coverage (1.25x)
    a. The debt service coverage ratio for the 2015 Utility Revenue Bonds is 1.25x.
    b. Ratio is calculated as Net Operating Revenue/Total Debt Service.
2. Meet Water Utility reserve targets
    a. Operating Reserve Target = 25.0% of annual operating costs
    b. Drought Reserve Target = $700,000
3. Maintain positive net operating revenues
    a. To ensure that the Water Utility is covering its cost of service
    b. To avoid an operating deficit and dipping into reserves

The three cash flow scenarios considered are:

- *Water Scenario #1: No Rate Increases*
    - This scenario demonstrates what would happen if the City did not raise the water rates. Without rate increases, the projections show that the Water Utility would not meet debt service coverage beginning in 2022/23. Additionally, the Water Utility would be operating in a deficit and would run down its reserves by the end of 2026/27.
- *Water Scenario #2: 8.0% Annual Rate Increases*
    - This scenario shows the impact to the Water Utility with 8.0% annual rate increases to cover operating cost inflation. With Scenario #2, the projections show that the Water Utility would not meet debt service coverage beginning in 2022/23. Additionally, the Water Utility would be operating in a deficit for the next 10 years.
- *Water Scenario #3: 9.0% Annual Rate Increases*
    - This scenario shows the impact to the Water Utility with annual 9.0% rate increases. With Scenario #3, the Water Utility would meet debt service coverage by 2024/25. The Water Utility would meet its reserve targets each year and would be maintaining positive net operating revenue by 2027/28.

2.3.8 Water Scenario #1: Water Cash Flow Projection with No Rate Increases

Table 16 forecasts the financial health of the water utility over the next 10 years if the City does not implement any rate increases. Using 2021/22 as the base year, the cash flow for *Scenario #1* shows that the Water Utility will miss debt service coverage (line 54) and will have negative net operating

revenues beginning in 2022/23 (line 43). Additionally, the Water Utility will run down its reserves by the end of 2026/27 (line 45).

The cash flow uses the 2021/22 budget as the base year and includes the following assumptions:

Revenues

- Total Water Sales revenues are estimated at $3.0 million based on the 2021/22 budget.
- Rate increases will go into effect on July 1 of each year, beginning in 2023 through 2027.
- Meter Connection Fees, Fire Service Charges, and Altamar Meter Reading Fee revenues are increased by the Overall Rate Adjustment percentage.
- Drought Charge remains in effect through 2026/27.
- The Capital Charge is increased by $85,000 beginning in December 2022 and then $170,000 in 2023/24. The total estimated increase in the Capital Charge is estimated at $700,000 and is split evenly with the Sewer Utility.
- The Capital Charge will be increased again in 2027/28.
- Interest is increased by 1.0% each year.
- All other revenues are increased by 3.0% each year.
- The Low Income Rate Assistance contribution from the General Fund remains at $75,000 per year and is divided evenly between water and sewer.
- Growth is estimated at 0.5% each year.
- Water consumption is based on 2020 usage and is projected to increase on average approximately 2.0% each year through 2027/28.

Expenses

- Expenses are increased based on the escalation factors from Table 12.
- The only current debt obligation is the 2015 Utility Revenue Bonds. Total debt service is approximately $625,000 per year and is split evenly with the Sewer Utility.
- Debt service coverage is estimated at 1.25x and is calculated by dividing Net Revenues by Total Debt Service.
- Assuming that the City will issue $5 million in debt to pay for capital projects in 2027/28, total debt service is projected at $300,000 and is split evenly with the Sewer Utility beginning in 2027/28.
- No capital project expenditures are included.
- Annual depreciation is not included.

Table 16: Water Scenario #1: No Rate Increases - Water Cash Flow Projection
City of Brisbane
Water Utility Rate Study 2022

		Budget	Projected	Years 1 -5: Proposition 218					Years 6 - 10: Extended Projection				
		2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33
1	Overall Revenue Adjustment			0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
2	Rate Increase Effective			Jul 1, 2023	Jul 1, 2024	Jul 1, 2025	Jul 1, 2026	Jul 1, 2027	Jul 1, 2028	Jul 1, 2029	Jul 1, 2030	Jul 1, 2031	Jul 1, 2032
3													
4						z							
5	**BEGINNING FUND BALANCE**	$2,828,445	$2,983,640	$2,643,640	$2,062,640	$1,214,640	$81,640	($1,368,360)	($2,903,860)	($4,813,360)	($7,125,860)	($9,878,360)	($13,118,860)
6													
7	**REVENUES**												
8	Water Sales	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
9	Meter Connection Fees	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000
10	Fire Service Charges	115,000	115,000	115,000	115,000	115,000	115,000	115,000	115,000	115,000	115,000	115,000	115,000
11	Altamar Meter Reading Fee	7,500	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000
12	Drought Reserve Charge	100,000	100,000	100,000	100,000	100,000	100,000	0	0	0	0	0	0
13	Capital Charge (1)	182,500	267,500	352,500	352,500	352,500	352,500	502,500	502,500	502,500	502,500	502,500	502,500
14	Investment Earnings	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000
15	Account Open/Reconnection Fees	1,500	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
16	Late Payment Charges	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
17	Transfers from Other Funds	37,500	37,500	37,500	37,500	37,500	37,500	37,500	37,500	37,500	37,500	37,500	37,500
18	Less: Low Income Rate Assistance	(37,500)	(37,500)	(37,500)	(37,500)	(37,500)	(37,500)	(37,500)	(37,500)	(37,500)	(37,500)	(37,500)	(37,500)
19	Grant Revenue	0	0	0	0	0	0	0	0	0	0	0	0
20	**Total Revenues**	3,456,500	3,542,500	3,627,500	3,627,500	3,627,500	3,627,500	3,677,500	3,677,500	3,677,500	3,677,500	3,677,500	3,677,500
21													
22	**EXPENSES**												
23	*Operating & Maintenance*												
24	Salaries	499,125	519,000	540,000	562,000	584,000	607,000	631,000	656,000	682,000	709,000	737,000	766,000
25	Payroll Taxes	7,112	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000
26	Benefits	277,746	289,000	301,000	313,000	326,000	339,000	353,000	367,000	382,000	397,000	413,000	430,000
27	Insurance	58,938	65,000	68,000	71,000	75,000	79,000	83,000	87,000	91,000	96,000	101,000	106,000
28	Supplies and Services	1,666,998	1,932,000	2,125,000	2,338,000	2,572,000	2,829,000	3,112,000	3,423,000	3,765,000	4,142,000	4,556,000	5,012,000
29	Admin Charges and Credit	473,044	487,000	502,000	517,000	533,000	549,000	565,000	582,000	599,000	617,000	636,000	655,000
30	Subtotal O&M	2,982,962	3,299,000	3,543,000	3,808,000	4,097,000	4,410,000	4,751,000	5,122,000	5,526,000	5,968,000	6,450,000	6,976,000
31													
32	Net Operating Revenue	473,538	243,500	84,500	(180,500)	(469,500)	(782,500)	(1,073,500)	(1,444,500)	(1,848,500)	(2,290,500)	(2,772,500)	(3,298,500)
33													
34	**Debt Service**												
35	2015 Utility Bonds (2)	318,344	316,000	313,000	315,000	311,000	315,000	312,000	315,000	314,000	312,000	318,000	159,000
36	New Bonds	0	0	0	0	0	0	150,000	150,000	150,000	150,000	150,000	150,000
37	Subtotal Debt Service	318,344	316,000	313,000	315,000	311,000	315,000	462,000	465,000	464,000	462,000	468,000	309,000
38													
39	**Capital Projects**	0	267,500	352,500	352,500	352,500	352,500	0	0	0	0	0	0
40													
41	**Total Expenses**	3,301,305	3,882,500	4,208,500	4,475,500	4,760,500	5,077,500	5,213,000	5,587,000	5,990,000	6,430,000	6,918,000	7,285,000
42													
43	**Total Net Revenues**	155,195	(340,000)	(581,000)	(848,000)	(1,133,000)	(1,450,000)	(1,535,500)	(1,909,500)	(2,312,500)	(2,752,500)	(3,240,500)	(3,607,500)
44													
45	**ENDING FUND BALANCE**	2,983,640	2,643,640	2,062,640	1,214,640	81,640	(1,368,360)	(2,903,860)	(4,813,360)	(7,125,860)	(9,878,360)	(13,118,860)	(16,726,360)
46													
47													
48	*Reserve Funds*												
49	Operating Reserve Target (25% of O&M)	745,700	824,800	885,800	952,000	1,024,300	1,102,500	1,187,800	1,280,500	1,381,500	1,492,000	1,612,500	1,744,000
50	Drought Reserve ($700,000)	447,499	547,499	647,499	747,499	847,499	947,499	947,499	947,499	947,499	947,499	947,499	947,499
51	Total Water Reserves	1,193,199	1,372,299	1,533,299	1,699,499	1,871,799	2,049,999	2,135,299	2,227,999	2,328,999	2,439,499	2,559,999	2,691,499
52	*Target Met?*	*yes*	*yes*	*yes*	*yes*	*no*	*no*	*no*	*no*	*no*	*no*	*no*	*no*
53													
54	Debt Service Coverage - 1.25x (3)	1.49	0.77	0.27	-0.57	-1.51	-2.48	-2.32	-3.11	-3.98	-4.96	-5.92	-10.67
55	*Target Met?*	*yes*	*no*	*no*	*no*	*no*	*no*	*no*	*no*	*no*	*no*	*no*	*no*
56													

1 - Assumes Capital Charge will increase every 5 years. First increase will go into effect on Dec 1, 2022. Second increase is anticipated in 2027/28 and assumes that the City will issue $5M in new debt (combined water & sewer

2 - Total debt service for New Bonds is estimated at $300,000 and is split evenly with the Sewer Utility.

3 - (Net Operating Revenue less Projected Grant Revenue) divided by (Total Debt Service)

2.3.9 Water Scenario #2: Water Cash Flow Projection with 8.0% Annual Rate Increases

Water Scenario #2 includes the same assumptions for the Revenues and Expenses as Table 16 but includes annual rate increases of 8.0% each year to cover operating cost inflation. With *Scenario #2*, the projections show that the Water Utility would not meet debt service coverage beginning in 2022/23 (line 54). Additionally, the Water Utility would be operating in a deficit for the next 10 years (line 43).

Table 17: Scenario #2: 8% Annual Rate Increases - Water Cash Flow Projection
City of Brisbane
Water Utility Rate Study 2022

		Budget	Projected	Years 1 -5: Proposition 218					Years 6 - 10: Extended Projection				
		2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33
1	Overall Revenue Adjustment			8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%
2	Rate Increase Effective			Jul 1, 2023	Jul 1, 2024	Jul 1, 2025	Jul 1, 2026	Jul 1, 2027	Jul 1, 2028	Jul 1, 2029	Jul 1, 2030	Jul 1, 2031	Jul 1, 2032
3													
4													
5	**BEGINNING FUND BALANCE**	$2,828,445	$2,983,640	$2,643,640	$2,314,640	$1,990,640	$1,675,640	$1,360,640	$1,302,140	$1,239,640	$1,174,140	$1,099,640	$1,002,140
6													
7	**REVENUES**												
8	Water Sales	3,000,000	3,000,000	3,240,000	3,499,000	3,779,000	4,081,000	4,407,000	4,760,000	5,141,000	5,552,000	5,996,000	6,476,000
9	Meter Connection Fees	20,000	20,000	22,000	24,000	26,000	28,000	30,000	32,000	35,000	38,000	41,000	44,000
10	Fire Service Charges	115,000	115,000	124,000	134,000	145,000	157,000	170,000	184,000	199,000	215,000	232,000	251,000
11	Altamar Meter Reading Fee	7,500	8,000	9,000	10,000	11,000	12,000	13,000	14,000	15,000	16,000	17,000	18,000
12	Drought Reserve Charge	100,000	100,000	100,000	100,000	100,000	100,000	0	0	0	0	0	0
13	Capital Charge (1)	182,500	267,500	352,500	352,500	352,500	352,500	502,500	502,500	502,500	502,500	502,500	502,500
14	Investment Earnings	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000
15	Account Open/Reconnection Fees	1,500	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
16	Late Payment Charges	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
17	Transfers from Other Funds	37,500	37,500	37,500	37,500	37,500	37,500	37,500	37,500	37,500	37,500	37,500	37,500
18	Less: Low Income Rate Assistance	(37,500)	(37,500)	(37,500)	(37,500)	(37,500)	(37,500)	(37,500)	(37,500)	(37,500)	(37,500)	(37,500)	(37,500)
19	Grant Revenue	0	0	0	0	0	0	0	0	0	0	0	0
20	**Total Revenues**	3,456,500	3,542,500	3,879,500	4,151,500	4,445,500	4,762,500	5,154,500	5,524,500	5,924,500	6,355,500	6,820,500	7,323,500
21													
22	**EXPENSES**												
23	*Operating & Maintenance*												
24	Salaries	499,125	519,000	540,000	562,000	584,000	607,000	631,000	656,000	682,000	709,000	737,000	766,000
25	Payroll Taxes	7,112	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000
26	Benefits	277,746	289,000	301,000	313,000	326,000	339,000	353,000	367,000	382,000	397,000	413,000	430,000
27	Insurance	58,938	65,000	68,000	71,000	75,000	79,000	83,000	87,000	91,000	96,000	101,000	106,000
28	Supplies and Services	1,666,998	1,932,000	2,125,000	2,338,000	2,572,000	2,829,000	3,112,000	3,423,000	3,765,000	4,142,000	4,556,000	5,012,000
29	Admin Charges and Credit	473,044	487,000	502,000	517,000	533,000	549,000	565,000	582,000	599,000	617,000	636,000	655,000
30	Subtotal O&M	2,982,962	3,299,000	3,543,000	3,808,000	4,097,000	4,410,000	4,751,000	5,122,000	5,526,000	5,968,000	6,450,000	6,976,000
31													
32	Net Operating Revenue	473,538	243,500	336,500	343,500	348,500	352,500	403,500	402,500	398,500	387,500	370,500	347,500
33													
34	**Debt Service**												
35	2015 Utility Bonds (2)	318,344	316,000	313,000	315,000	311,000	315,000	312,000	315,000	314,000	312,000	318,000	159,000
36	New Bonds	0	0	0	0	0	0	150,000	150,000	150,000	150,000	150,000	150,000
37	Subtotal Debt Service	318,344	316,000	313,000	315,000	311,000	315,000	462,000	465,000	464,000	462,000	468,000	309,000
38													
39	**Capital Projects**	0	267,500	352,500	352,500	352,500	352,500	0	0	0	0	0	0
40													
41	**Total Expenses**	3,301,305	3,882,500	4,208,500	4,475,500	4,760,500	5,077,500	5,213,000	5,587,000	5,990,000	6,430,000	6,918,000	7,285,000
42													
43	**Total Net Revenues**	155,195	(340,000)	(329,000)	(324,000)	(315,000)	(315,000)	(58,500)	(62,500)	(65,500)	(74,500)	(97,500)	38,500
44													
45	**ENDING FUND BALANCE**	2,983,640	2,643,640	2,314,640	1,990,640	1,675,640	1,360,640	1,302,140	1,239,640	1,174,140	1,099,640	1,002,140	1,040,640
46													
47													
48	*Reserve Funds*												
49	Operating Reserve Target (25% of O&M)	745,700	824,800	885,800	952,000	1,024,300	1,102,500	1,187,800	1,280,500	1,381,500	1,492,000	1,612,500	1,744,000
50	Drought Reserve ($700,000)	447,499	547,499	647,499	747,499	847,499	947,499	947,499	947,499	947,499	947,499	947,499	947,499
51	Total Water Reserves	1,193,199	1,372,299	1,533,299	1,699,499	1,871,799	2,049,999	2,135,299	2,227,999	2,328,999	2,439,499	2,559,999	2,691,499
52	*Target Met?*	*yes*	*yes*	*yes*	*yes*	*yes*	*yes*	*yes*	*no*	*no*	*no*	*no*	*no*
53													
54	Debt Service Coverage - 1.25x (3)	1.49	0.77	1.08	1.09	1.12	1.12	0.87	0.87	0.86	0.84	0.79	1.12
55	*Target Met?*	*yes*	*no*	*no*	*no*	*no*	*no*	*no*	*no*	*no*	*no*	*no*	*no*
56													

1 - Assumes Capital Charge will increase every 5 years. First increase will go into effect on Dec 1, 2022. Second increase is anticipated in 2027/28 and assumes that the City will issue $5M in new debt (combined water & sewer
2 - Total debt service for New Bonds is estimated at $300,000 and is split evenly with the Sewer Utility.
3 - (Net Operating Revenue less Projected Grant Revenue) divided by (Total Debt Service)

2.3.10 Water Scenario #3: Water Cash Flow Projection with 9.0% Annual Rate Increases

Water Scenario #3 includes the same assumptions for the Revenues and Expenses as Table 16 but includes rate increases of 9.0% per year to meet the three financial goals. With *Scenario #3*, the projections show that the Water Utility would meet debt service coverage beginning in 2023/24 (line 54). Additionally, the Water Utility will meet its reserve fund targets (line 45) and maintain positive net revenues for the next 10 years (line 43).

Table 18: Scenario #3: 9% Annual Rate Increases - Water Cash Flow Projection
City of Brisbane
Water Utility Rate Study 2022

		Budget	Projected	Years 1 -5: Proposition 218					Years 6 - 10: Extended Projection				
		2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33
1	Overall Revenue Adjustment			9.0%	9.0%	9.0%	9.0%	9.0%	8.0%	8.0%	8.0%	8.0%	8.0%
2	Rate Increase Effective			Jul 1, 2023	Jul 1, 2024	Jul 1, 2025	Jul 1, 2026	Jul 1, 2027	Jul 1, 2028	Jul 1, 2029	Jul 1, 2030	Jul 1, 2031	Jul 1, 2032
3													
4													
5	**BEGINNING FUND BALANCE**	$2,828,445	$2,983,640	$2,643,640	$2,345,640	$2,088,640	$1,882,640	$1,725,640	$1,882,140	$2,050,640	$2,234,140	$2,428,640	$2,622,140
6													
7	**REVENUES**												
8	Water Sales	3,000,000	3,000,000	3,270,000	3,564,000	3,885,000	4,235,000	4,616,000	4,985,000	5,384,000	5,815,000	6,280,000	6,782,000
9	Meter Connection Fees	20,000	20,000	22,000	24,000	26,000	28,000	31,000	33,000	36,000	39,000	42,000	45,000
10	Fire Service Charges	115,000	115,000	125,000	136,000	148,000	161,000	175,000	189,000	204,000	220,000	238,000	257,000
11	Altamar Meter Reading Fee	7,500	8,000	9,000	10,000	11,000	12,000	13,000	14,000	15,000	16,000	17,000	18,000
12	Drought Reserve Charge	100,000	100,000	100,000	100,000	100,000	100,000	0	0	0	0	0	0
13	Capital Charge (1)	182,500	267,500	352,500	352,500	352,500	352,500	502,500	502,500	502,500	502,500	502,500	502,500
14	Investment Earnings	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000
15	Account Open/Reconnection Fees	1,500	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
16	Late Payment Charges	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
17	Transfers from Other Funds	37,500	37,500	37,500	37,500	37,500	37,500	37,500	37,500	37,500	37,500	37,500	37,500
18	Less: Low Income Rate Assistance	(37,500)	(37,500)	(37,500)	(37,500)	(37,500)	(37,500)	(37,500)	(37,500)	(37,500)	(37,500)	(37,500)	(37,500)
19	Grant Revenue	0	0	0	0	0	0	0	0	0	0	0	0
20	**Total Revenues**	3,456,500	3,542,500	3,910,500	4,218,500	4,554,500	4,920,500	5,369,500	5,755,500	6,173,500	6,624,500	7,111,500	7,636,500
21													
22	**EXPENSES**												
23	*Operating & Maintenance*												
24	Salaries	499,125	519,000	540,000	562,000	584,000	607,000	631,000	656,000	682,000	709,000	737,000	766,000
25	Payroll Taxes	7,112	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000
26	Benefits	277,746	289,000	301,000	313,000	326,000	339,000	353,000	367,000	382,000	397,000	413,000	430,000
27	Insurance	58,938	65,000	68,000	71,000	75,000	79,000	83,000	87,000	91,000	96,000	101,000	106,000
28	Supplies and Services	1,666,998	1,932,000	2,125,000	2,338,000	2,572,000	2,829,000	3,112,000	3,423,000	3,765,000	4,142,000	4,556,000	5,012,000
29	Admin Charges and Credit	473,044	487,000	502,000	517,000	533,000	549,000	565,000	582,000	599,000	617,000	636,000	655,000
30	Subtotal O&M	2,982,962	3,299,000	3,543,000	3,808,000	4,097,000	4,410,000	4,751,000	5,122,000	5,526,000	5,968,000	6,450,000	6,976,000
31													
32	Net Operating Revenue	473,538	243,500	367,500	410,500	457,500	510,500	618,500	633,500	647,500	656,500	661,500	660,500
33													
34	**Debt Service**												
35	2015 Utility Bonds (2)	318,344	316,000	313,000	315,000	311,000	315,000	312,000	315,000	314,000	312,000	318,000	159,000
36	New Bonds	0	0	0	0	0	0	150,000	150,000	150,000	150,000	150,000	150,000
37	Subtotal Debt Service	318,344	316,000	313,000	315,000	311,000	315,000	462,000	465,000	464,000	462,000	468,000	309,000
38													
39	**Capital Projects**	0	267,500	352,500	352,500	352,500	352,500	0	0	0	0	0	0
40													
41	**Total Expenses**	3,301,305	3,882,500	4,208,500	4,475,500	4,760,500	5,077,500	5,213,000	5,587,000	5,990,000	6,430,000	6,918,000	7,285,000
42													
43	**Total Net Revenues**	155,195	(340,000)	(298,000)	(257,000)	(206,000)	(157,000)	156,500	168,500	183,500	194,500	193,500	351,500
44													
45	**ENDING FUND BALANCE**	2,983,640	2,643,640	2,345,640	2,088,640	1,882,640	1,725,640	1,882,140	2,050,640	2,234,140	2,428,640	2,622,140	2,973,640
46													
47													
48	*Reserve Funds*												
49	Operating Reserve Target (25% of O&M)	745,700	824,800	885,800	952,000	1,024,300	1,102,500	1,187,800	1,280,500	1,381,500	1,492,000	1,612,500	1,744,000
50	Drought Reserve ($700,000)	447,499	547,499	647,499	747,499	847,499	947,499	947,499	947,499	947,499	947,499	947,499	947,499
51	Total Water Reserves	1,193,199	1,372,299	1,533,299	1,699,499	1,871,799	2,049,999	2,135,299	2,227,999	2,328,999	2,439,499	2,559,999	2,691,499
52	*Target Met?*	*yes*	*yes*	*yes*	*yes*	*yes*	*yes*	*yes*	*yes*	*yes*	*yes*	*yes*	*yes*
53													
54	Debt Service Coverage - 1.25x (3)	1.49	0.77	1.17	1.30	1.47	1.62	1.34	1.36	1.40	1.42	1.41	2.14
55	*Target Met?*	*yes*	*no*	*no*	*yes*	*yes*	*yes*	*yes*	*yes*	*yes*	*yes*	*yes*	*yes*
56													

1 - Assumes Capital Charge will increase every 5 years. First increase will go into effect on Dec 1, 2022. Second increase is anticipated in 2027/28 and assumes that the City will issue $5M in new debt (combined water & sewer
2 - Total debt service for New Bonds is estimated at $300,000 and is split evenly with the Sewer Utility.
3 - (Net Operating Revenue less Projected Grant Revenue) divided by (Total Debt Service)

2.3.11 Water Scenario Comparison

Table 19 includes a summary of the proposed rate adjustments and the three financial goals for all three scenarios. Based on the proposed rate adjustments, only *Water Scenario #3: 9.0% Annual Rate Increases* meets the three financial objectives by the end of the rate study period.

Table 19: Water Scenario Comparison
City of Brisbane
Water Utility Rate Study 2022

GOAL 1 : MEET DEBT SERVICE COVERAGE

	Budget	Projected	Proposed				
	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Debt Service Coverage Ratio Required	1.25	1.25	1.25	1.25	1.25	1.25	1.25
Scenario 1: No Rate Increases	1.49	0.77	0.27	(0.57)	(1.51)	(2.48)	(2.32)
Target Met?	yes	no	no	no	no	no	no
Scenario 2: 8% Annual Rate Increases	1.49	0.77	1.08	1.09	1.12	1.12	0.87
Target Met?	yes	no	no	no	no	no	no
Scenario 3: 9% Annual Rate Increases	1.49	0.77	1.17	1.30	1.47	1.62	1.34
Target Met?	yes	no	no	yes	yes	yes	yes

GOAL 2: MEET RESERVE FUND TARGETS

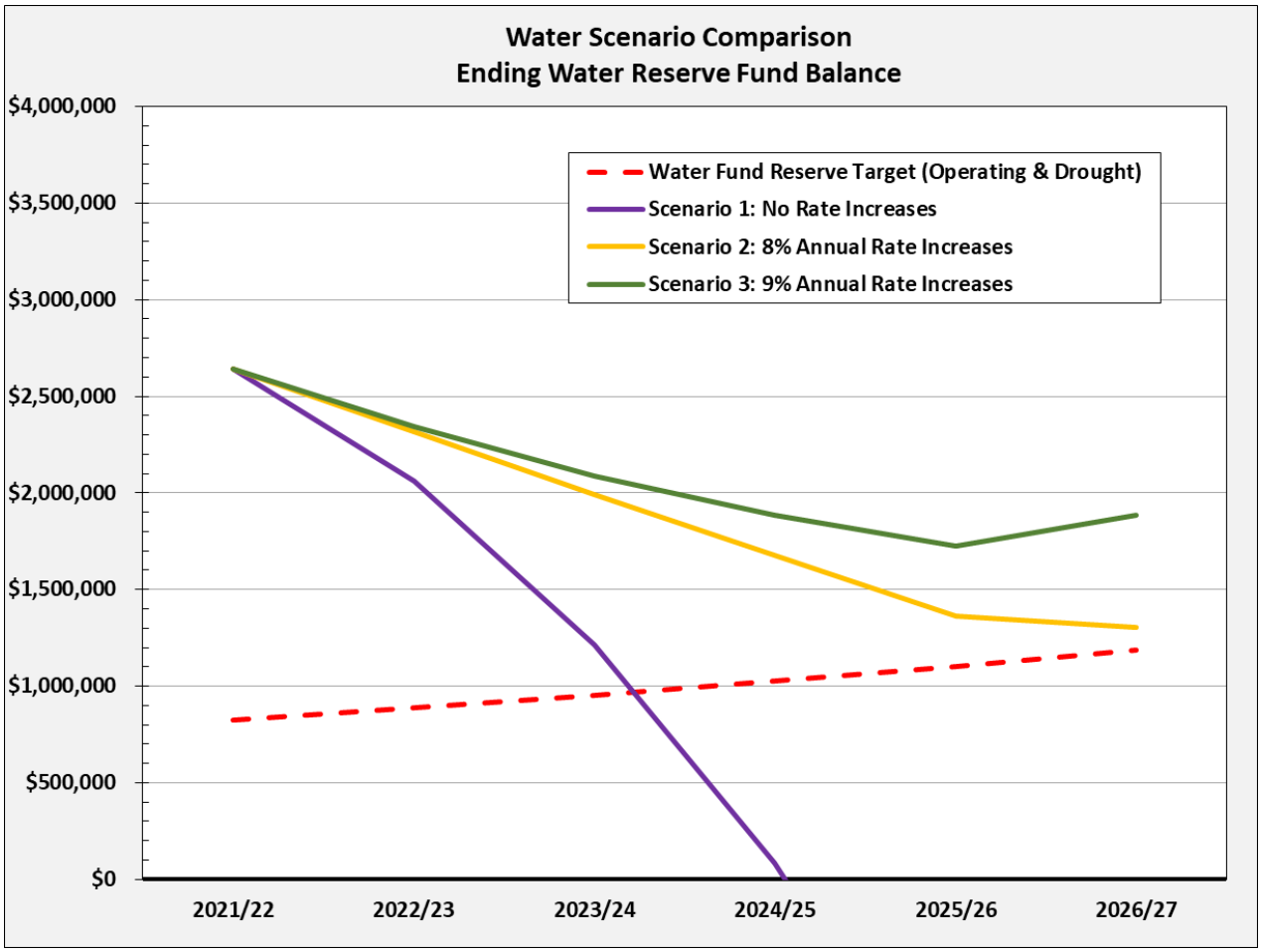
	Budget	Projected	Proposed				
	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Water Fund Reserve Target (Operating & Drought)	$824,800	$885,800	$952,000	$1,024,300	$1,102,500	$1,187,800	$1,280,500
Scenario 1: No Rate Increases	$2,643,640	$2,062,640	$1,214,640	$81,640	($1,368,360)	($2,903,860)	($4,813,360)
Target Met?	yes	yes	yes	no	no	no	no
Scenario 2: 8% Annual Rate Increases	$2,643,640	$2,314,640	$1,990,640	$1,675,640	$1,360,640	$1,302,140	$1,239,640
Target Met?	yes	yes	yes	yes	yes	yes	no
Scenario 3: 9% Annual Rate Increases	$2,643,640	$2,345,640	$2,088,640	$1,882,640	$1,725,640	$1,882,140	$2,050,640
Target Met?	yes	yes	yes	yes	yes	yes	yes

GOAL 3: POSITIVE TOTAL NET REVENUES

	Budget	Projected	Proposed				
	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Scenario 1: No Rate Increases	$155,195	($340,000)	($581,000)	($848,000)	($1,133,000)	($1,450,000)	($1,535,500)
Target Met?	yes	no	no	no	no	no	no
Scenario 2: 8% Annual Rate Increases	$155,195	($340,000)	($329,000)	($324,000)	($315,000)	($315,000)	($58,500)
Target Met?	yes	no	no	no	no	no	no
Scenario 3: 9% Annual Rate Increases	$155,195	($340,000)	($298,000)	($257,000)	($206,000)	($157,000)	$156,500
Target Met?	yes	no	no	no	no	no	yes

Figure 4 graphically shows the projected total ending reserve fund balance under each scenario. The red dotted line represents the total reserve fund target. The purple line represents *Water Scenario #1: No Rate Increases.* The yellow line represents *Water Scenario #2: 8.0% Annual Rate Increases.* The green line represents *Water Scenario #3: 9.0% Annual Rate Increases*. It is projected that the Water Fund will meets its reserve fund targets through 2026/27 in each scenario except for *Water Scenario #1*.

Figure 4: Water Scenario Comparison - Ending Water Fund Reserve Fund Balance
City of Brisbane
Water Utility Rate Study 2022



2.4 Water Cost Allocation

The water revenue requirement detailed in the previous section determines the amount of revenue to be recovered from water rates. The cost of service allocation determines how revenues will be recovered from customers based on how they use the water system. Proposition 218 requires that agencies providing "property-related services" (including water utility service) set rates and charges that are based on the cost of providing those services and are proportional to how customers use the system.

2.4.1 Overview of Water Cost of Service Methodology

The purpose of the cost allocation is to classify costs and to determine the amount of revenue that will be recovered from fixed rates and from consumption charges. The American Water Works Association (AWWA) recommends methods to classify costs among various customers. Using the Base-Extra Capacity Method as recommended by the AWWA, water operating expenses are allocated to the following categories: (a) *Base*, (b) *Extra*, (c) *Meters and Services*, and (d) *Customer Service*. The *Base* and *Extra* categories are intended to recover variable (consumption) costs, while the *Customer Service* and *Meters and Services* categories are intended to recover fixed expenses that are incurred regardless of water used.

- *Base:* Base costs include the expenses related to providing water under average, "base" demand conditions.
- *Extra:* The extra category includes costs related to providing water above the system average demand (ie. related to peak, "extra" usage).
- *Meters and Services:* These include costs related to maintaining and replacing water meters.
- C*ustomer Service:* This category contains costs associated with serving customers, such as billing and answering customer inquiries.

2.4.2 Cost Allocation

Table 20 provides the proposed cost allocation for the water utility based on input from City staff. Fiscal year 2022/23 is used as the test year for the cost allocation. Costs are allocated according to how they are incurred by the City. Based on Table 20, 15.5% of costs will be recovered from the Fixed Charges while the remaining 84.5% will be recovered from the Consumption Charges, which is in line with the current split (15.0% from Fixed Charges / 85.0% from Consumption Charges).

Table 20: Water Cost Allocation
City of Brisbane
Water Utility Rate Study 2022

Operating Expense	2022/23 Budget	FIXED CHARGES		CONSUMPTION CHARGES		Total	Notes
		Meters & Services	Customer Service	Base	Extra		
Salaries	$519,000	10%	10%	25%	55%	100%	Staff Estimate
Payroll Taxes	$7,000	10%	10%	25%	55%	100%	Staff Estimate
Benefits	$289,000	10%	10%	25%	55%	100%	Staff Estimate
Insurance (2)	$65,000	10%	10%	25%	55%	100%	Staff Estimate
Supplies and Services	$1,932,000	2%	2%	25%	71%	100%	Peaking
Admin Charges and Credits	$487,000	25%	25%	25%	25%	100%	Even
Debt Service	$316,000	10%	10%	25%	55%	100%	Staff Estimate
Total Water Operating Expenses	$3,615,000	$280,000	$280,000	$903,800	$2,151,300	$3,615,100	
Total Allocation %		**7.8%**	**7.8%**	**25.0%**	**59.5%**	**100.0%**	

2.5 Water Rate Design Considerations

Following the allocation of costs, the next step is to derive the total cost responsibility for each customer class by developing unit costs of service for each cost function and then assigning those costs to the customer classes based on the respective service requirements of each.

2.5.1 Rate Structure Modifications

The proposed modifications to the existing water rate structure are as follows:

- **Fixed Charges**
  - All customer classes will be charged the same Fixed Charges which will vary by meter size.
    - L&T recommends developing a single fixed rate structure based on meter size that applies to all customer classes. Additionally, we propose to use the AWWA meter capacity ratios to calculate rates for the larger meter sizes. The re-alignment will amend the fixed charges so that each meter size will be charged based on their proportional impact on the system.
  - All customers will receive 1 unit of water with the Fixed Charges.
    - Currently, only customers with a 5/8" meter receive 1 unit of water with the Fixed Charges. To comply with Proposition 218, L&T recommends that the City extend the 1 ccf water allotment to all customers.

- **Consumption Charges**
  - All Customers --> Transition to a two-tiered rate structure
    - Proposed Bimonthly Tiers:
      - Tier 1: 1- 20 ccf
      - Tier 2: Over 20 ccf
    - To comply with Proposition 218, each water rate tier breakpoint (i.e. the consumption used in each tier) and the price of each tier must be individually cost-justified. Higher use must be directly tied to specific costs such as imported water, higher electricity costs associated with peak pumping, increased maintenance, and/or conservation programs. Tiers can no longer be assigned to customers solely based on conservation objectives. For example, public agencies may not arbitrarily raise the price of higher use tiers in order to offer a discount to lower water users.
    - Based on input from the Infrastructure, Utilities, & Franchise Subcommittee, the first tier will be set at 20 ccf per two-month billing period. The current average bimonthly use for residential customers is 10 ccf.

2.5.2 Projected Customer Growth & Water Consumption

Table 21 estimates water consumption by customer class for the next 5 years using 2019/20 usage data as a baseline. The table also shows the estimated reduction in billed consumption with the proposed 1 ccf allotment for all customers. The estimated billed consumption is used to determine the unit costs for water consumption charges. For 2022/23, total consumption is projected at 289,715 ccf. However, 11,602 ccf will be unbilled as the proposed Fixed Charge will include 1 ccf of water for all customers. Therefore, the total amount of billed water is 278,113 ccf.

Table 21: Projected Water Consumption with 1 Unit Allotment
City of Brisbane
Water Utility Rate Study 2022

	CURRENT	PROJECTED			PROJECTED - RATE STUDY PERIOD				
	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Residential									
Annual Increase %		*0.0%*	*0.0%*	*1.0%*	*1.0%*	*1.0%*	*1.0%*	*1.0%*	*1.0%*
Annual Consumption (ccf)	109,065	109,065	109,065	110,156	111,257	112,370	113,493	114,628	115,775
Less 1 ccf Allotment	9,655	9,655	9,655	9,752	9,849	9,948	10,047	10,148	10,249
Total Consumption for Consumption Charges	99,410	99,410	99,410	100,404	101,408	102,422	103,446	104,481	105,526
Commercial									
Annual Increase %		*0.0%*	*0.0%*	*3.0%*	*3.0%*	*3.0%*	*3.0%*	*3.0%*	*3.0%*
Annual Consumption (ccf)	95,700	95,700	95,700	98,571	101,528	104,574	107,711	110,943	114,271
Less 1 ccf Allotment	1,400	1,400	1,400	1,442	1,485	1,530	1,576	1,623	1,672
Total Consumption for Consumption Charges	94,300	94,300	94,300	97,129	100,043	103,044	106,135	109,320	112,599
Irrigation									
Annual Increase %		*0.0%*	*0.0%*	*2.0%*	*2.0%*	*2.0%*	*2.0%*	*2.0%*	*2.0%*
Annual Consumption (ccf)	79,400	79,400	79,400	80,988	82,608	84,260	85,945	87,664	89,417
Less 1 ccf Allotment	400	400	400	408	416	424	433	442	450
Total Consumption for Consumption Charges	79,000	79,000	79,000	80,580	82,192	83,835	85,512	87,222	88,967
Total Consumption									
Total Consumption	284,165	284,165	284,165	289,715	295,393	301,204	307,150	313,235	319,463
Less 1 ccf Allotment	11,455	11,455	11,455	11,602	11,750	11,902	12,056	12,212	12,371
TOTAL CONSUMPTION (CCF) FOR CONSUMPTION CHARGES	**272,710**	**272,710**	**272,710**	**278,113**	**283,643**	**289,302**	**295,094**	**301,023**	**307,092**

1 - The May 25, 2021 memo prepared by Jerry Flanagan shows projected SFPUC water purchases in 2025 to be 435,800 ccf/year, representing s a 44.3% increase from the 2020 total water purchases of 302,003 ccf. His projections assume that Biotech Developments in Sierra Point will be built out by 2025 and does not include the UPC parcel at Sierra Point nor the future Baylands Development.

Table 22 shows a projection of water meters, meter equivalents, and consumption for the rate study period. The number of meter equivalents is based on the total number of meters (Table 4) and the ratio of each meter size to that of the 5/8" meter. The amount of consumption that will be billed under the consumption charges is taken from Table 21 and is divided between Tier 1 and Tier 2 based on the City's bimonthly billing data history. The number of customers is estimated to increase at 0.5% each year. Residential consumption is conservatively estimated to increase 1.0% each year. Commercial consumption is estimated to increase by 3.0% each year. Irrigation consumption is increased each year by 2.0%.

Table 22: Projected Customer Growth & Water Consumption
City of Brisbane
Water Utility Rate Study 2022

	CURRENT	PROJECTED			PROJECTED - RATE STUDY PERIOD				
	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
NUMBER OF METERS									
Growth Increase %		0.00%	0.00%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%
Total Water Meters	2,038	2,038	2,038	2,048	2,058	2,069	2,079	2,089	2,090
Total Meter Equivalents	3,259	3,259	3,259	3,275	3,292	3,308	3,325	3,341	3,358
WATER CONSUMPTION									
Residential									
Annual Increase %		*0.0%*	*0.0%*	*1.0%*	*1.0%*	*1.0%*	*1.0%*	*1.0%*	*1.0%*
Consumption									
Tier 1: 1 - 20 ccf	86,634	86,634	86,634	87,501	88,376	89,259	90,152	91,054	91,964
Tier 2: Over 20 ccf	12,776	12,776	12,776	12,903	13,032	13,163	13,294	13,427	13,562
Subtotal Residential	99,410	99,410	99,410	100,404	101,408	102,422	103,446	104,481	105,526
Commercial									
Annual Increase %		*0.0%*	*0.0%*	*3.0%*	*3.0%*	*3.0%*	*3.0%*	*3.0%*	*3.0%*
Consumption (1)									
Tier 1: 1 - 20 ccf	26,948	26,948	26,948	27,757	28,590	29,447	30,331	31,241	32,178
Tier 2: Over 20 ccf	67,352	67,352	67,352	69,372	71,453	73,597	75,805	78,079	80,421
Subtotal Commercial	94,300	94,300	94,300	97,129	100,043	103,044	106,135	109,320	112,599
Irrigation									
Annual Increase %		*0.0%*	*0.0%*	*2.0%*	*2.0%*	*2.0%*	*2.0%*	*2.0%*	*2.0%*
Consumption									
Tier 1: 1 - 20 ccf	12,344	12,344	12,344	12,591	12,843	13,100	13,362	13,629	13,902
Tier 2: Over 20 ccf	66,656	66,656	66,656	67,989	69,349	70,736	72,150	73,593	75,065
Subtotal Irrigation	79,000	79,000	79,000	80,580	82,192	83,835	85,512	87,222	88,967
Total Consumption									
Annual Increase %		*0.0%*	*0.0%*	*2.0%*	*2.0%*	*2.0%*	*2.0%*	*2.0%*	*2.0%*
Consumption									
Tier 1: 1 - 20 ccf	125,927	125,927	125,927	127,849	129,808	131,807	133,845	135,923	138,044
Tier 2: Over 20 ccf	146,783	146,783	146,783	150,264	153,834	157,495	161,249	165,099	169,048
Total Consumption	272,710	272,710	272,710	278,113	283,643	289,302	295,094	301,023	307,092

1 - The May 25, 2021 memo prepared by Jerry Flanagan shows projected SFPUC water purchases in 2025 to be 435,800 ccf/year, representing s a 44.3% increase from the 2020 total water purchases of 302,003 ccf. His projections assume that Biotech Developments in Sierra Point will be built out by 2025 and does not include the UPC parcel at Sierra Point nor the future Baylands Development

2.6 Water Rate Design for Water Scenario #3

2.6.1 Current Water Rate Revenues - Fixed vs. Consumption Revenue Recovery

Table 23 summarizes the percentage of service charge revenues derived from the Fixed Charges versus the Consumption Charges. On average, the City collects roughly 15.0%% of revenues from the Fixed Charges and 85.0% from the Consumption Charge. Based on input from staff, the City would like to maintain the current 15% fixed / 85% variable revenue recovery because the largest expense for the Water Utility is wholesale water purchases from SFPUC.

Table 23: Current Water Sales - Fixed vs. Variable Water Service Revenue
City of Brisbane
Water Utility Rate Study 2022

	Fixed Charges	Consumption Charges	Total Water Sales Revenues
Total Revenues City vs. GVMID			
City	$283,555	$1,351,795	$1,635,350
GVMID	$198,935	$1,410,981	$1,609,916
Total Water Sales Revenues	$482,490	$2,762,776	$3,245,267
% of Total	*14.9%*	*85.1%*	*100.0%*
Total Revenues by Customer Class			
Residential	$261,029	$735,794	$996,824
Commercial	$179,813	$1,010,745	$1,190,557
Irrigation	$41,648	$1,016,237	$1,057,886
Total Water Sales Revenues	$482,490	$2,762,776	$3,245,267
% of Total	*14.9%*	*85.1%*	*100.0%*

Source: Utility Billing Data 2018-202 Water & sewer Export

2.6.2 Water Scenario #3: Annual Revenue Requirement Allocation

Table 24 shows the annual revenue requirement for *Scenario #3: 9.0% Annual Rate Increases* for the rate study period based on the cost allocation percentages from Table 20 and the total water rate revenue requirements for each year from the cash flow projection (Table 18). The fixed charge revenue requirement is based on the *Meters and Services* and *Customer Service* categories from the cost allocation. The consumption charge revenue requirement is based on the *base* and *extra* categories.

Table 24: Annual Revenue Requirement Allocation
City of Brisbane
Water Utility Rate Study 2022

	Cost Allocation %	PROJECTED - RATE STUDY PERIOD				
		2023/24	2024/25	2025/26	2026/27	2027/28
Total Revenue Requirement (1)		$3,270,000	$3,564,000	$3,885,000	$4,235,000	$4,616,000
FIXED CHARGES						
Meters & Services	7.8%	$253,425	$276,210	$301,088	$328,213	$357,740
Customer Service Charge	7.8%	$253,425	$276,210	$301,088	$328,213	$357,740
Total Fixed Charges	15.5%	$506,850	$552,420	$602,175	$656,425	$715,480
CONSUMPTION CHARGES						
Base	25.0%	$817,500	$891,000	$971,250	$1,058,750	$1,154,000
Extra	59.5%	$1,945,977	$2,120,936	$2,311,964	$2,520,249	$2,746,982
Total Consumption Charges	84.5%	$2,763,477	$3,011,936	$3,283,214	$3,578,999	$3,900,982
TOTAL	100.0%	$3,270,327	$3,564,356	$3,885,389	$4,235,424	$4,616,462

1 - From Cash Flow (Table 18, line 5)

2.6.3 Water Scenario #3: Water Fixed Charge Derivation

The rate derivation for the Fixed Charges is shown on Table 25. The total revenue requirement for *Meter and Services* are divided by the *Total Number of Meter Equivalents*. *Customer Service* costs are divided amongst the *Total Number of Meters*. These two categories are then combined into a single bimonthly Fixed Charge that increases based on meter size.

For 2023/24, the proposed meter equivalent charge $12.83 is multiplied by the corresponding meter equivalent ratio to calculate a charge for each meter size. The customer service charge of $20.52 is added to the meter equivalent charge to derive a total fixed meter charge. The proposed total bimonthly Fixed Charge for a 5/8” or 3/4” meter is $33.35 for 2023/24.

Table 25: Water Fixed Charge Derivation
City of Brisbane
Water Utility Rate Study 2022

		PROJECTED - RATE STUDY PERIOD				
		2023/24	2024/25	2025/26	2026/27	2027/28
REVENUE REQUIREMENT						
Meters & Services		$253,425	$276,210	$301,088	$328,213	$357,740
Customer Service Charge		$253,425	$276,210	$301,088	$328,213	$357,740
Total Fixed Charge Revenue Requirement		$506,850	$552,420	$602,175	$656,425	$715,480
METER EQUIVALENT CHARGE						
Total Meter Equivalent Charge Revenue Requirement		$253,425	$276,210	$301,088	$328,213	$357,740
Total Number of Meter Equivalents		3,292	3,308	3,325	3,341	3,358
Total Meter Equivalent Charge		$12.83	$13.92	$15.09	$16.37	$17.76
Meter Equivalent Charge by Meter Size						
Meter Size	Meter Ratio					
5/8"	1.00	$12.83	$13.92	$15.09	$16.37	$17.76
3/4"	1.00	$12.83	$13.92	$15.09	$16.37	$17.76
1"	1.67	$21.38	$23.20	$25.15	$27.28	$29.60
1-1/2"	3.33	$42.77	$46.40	$50.30	$54.57	$59.20
2"	5.33	$68.43	$74.24	$80.48	$87.31	$94.72
3"	10.67	$136.85	$148.48	$160.96	$174.61	$189.44
4"	16.67	$213.83	$232.00	$251.50	$272.83	$296.00
6"	33.33	$427.67	$464.00	$503.00	$545.67	$592.00
CUSTOMER SERVICE CHARGE						
Total Customer Service Charge Revenue Requirement		$253,425	$276,210	$301,088	$328,213	$357,740
Total Number of Meters		2,058	2,069	2,079	2,089	2,090
Total Customer Service Charge per Account		$20.52	$22.25	$24.14	$26.18	$28.52
TOTAL BIMONTHLY FIXED CHARGE (1)						
Meter Size						
5/8"		$33.35	$36.17	$39.23	$42.55	$46.28
3/4"		$33.35	$36.17	$39.23	$42.55	$46.28
1"		$41.90	$45.45	$49.29	$53.46	$58.12
1-1/2"		$63.29	$68.65	$74.44	$80.75	$87.72
2"		$88.95	$96.49	$104.62	$113.49	$123.24
3"		$157.37	$170.73	$185.10	$200.79	$217.96
4"		$234.35	$254.25	$275.64	$299.01	$324.52
6"		$448.19	$486.25	$527.14	$571.85	$620.52

1 - Total Bimonthly Fixed Charge is the sum of the "Meter Equivalent Charge" by meter size plus the "Total Customer Service Charge per Account"

2.6.4 Water Scenario #3: Consumption Charge Derivation

Consumption charges are calculated based on the revenue requirements derived in Table 24 and the projected total consumption per tier calculated in Table 22. The revenue requirement for each year is divided by the projected consumption to derive a per unit cost, see Table 26. The *Base* revenue requirement is used for Tier 1 and the *Extra* revenue requirement is used for Tier 2. For 2023/24, the proposed rates are $6.30 per ccf for Tier 1 and $12.65 per ccf for Tier 2.

Table 26: Consumption Charge Rate Derivation
City of Brisbane
Water Utility Rate Study 2022

	PROJECTED - RATE STUDY PERIOD				
	2023/24	**2024/25**	**2025/26**	**2026/27**	**2027/28**
REVENUE REQUIREMENT					
Base Charge Revenue Requirement	$817,500	$891,000	$971,250	$1,058,750	$1,154,000
Extra Charge Revenue Requirement	$1,945,977	$2,120,936	$2,311,964	$2,520,249	$2,746,982
Total Consumption Charge Revenue Requirement	$2,763,477	$3,011,936	$3,283,214	$3,578,999	$3,900,982
CONSUMPTION CHARGE DERIVATION					
All Customers					
Tier 1 Revenue Requirement	$817,500	$891,000	$971,250	$1,058,750	$1,154,000
Tier 1: 1-20 ccf Consumption (ccf)	129,808	131,807	133,845	135,923	138,044
Tier 1 Rate per ccf	**$6.30**	**$6.76**	**$7.26**	**$7.79**	**$8.36**
Tier 2 Revenue Requirement	$1,945,977	$2,120,936	$2,311,964	$2,520,249	$2,746,982
Tier 2: Over 20 ccf Consumption (ccf)	153,834	157,495	161,249	165,099	169,048
Tier 2 Rate per ccf	**$12.65**	**$13.47**	**$14.34**	**$15.27**	**$16.25**

2.6.5 Water Scenario #3: Proposed 5-Year Schedule of Rates

Table 27 summarizes the proposed bimonthly water rates. All customers including residential, commercial, and irrigation customers are proposed to be charged according to the proposed rate schedule shown. The first rate change is proposed to take effect on July 1, 2023, with subsequent rate increases each July 1 through 2027.

Table 27: Proposed Bimonthly Water Rates
City of Brisbane
Water Utility Rate Study 2022

	RATE STUDY PERIOD				
	July 1, 2023	**July 1, 2024**	**July 1, 2025**	**July 1, 2026**	**July 1, 2027**
FIXED CHARGES					
Meter Size					
5/8"	$33.35	$36.17	$39.23	$42.55	$46.28
3/4"	$33.35	$36.17	$39.23	$42.55	$46.28
1"	$41.90	$45.45	$49.29	$53.46	$58.12
1-1/2"	$63.29	$68.65	$74.44	$80.75	$87.72
2"	$88.95	$96.49	$104.62	$113.49	$123.24
3"	$157.37	$170.73	$185.10	$200.79	$217.96
4"	$234.35	$254.25	$275.64	$299.01	$324.52
6"	$448.19	$486.25	$527.14	$571.85	$620.52
CONSUMPTION CHARGES (per ccf) (1)					
All Customers (Usage over 1 ccf)					
Tier 1: 1- 20 ccf	$6.30	$6.76	$7.26	$7.79	$8.36
Tier 2: Over 20 ccf	$12.65	$13.47	$14.34	$15.27	$16.25

1 - 1 ccf (hundred cubic feet) = 748 gallons

2.6.6 Scenario #3: Water Bill Impacts

For FY 2023/24, the proposed 9.0% revenue adjustment in the cash flow does not directly correlate to a 9.0% increase in rates due to the cost of service reallocation and the updated rate structure. Because of the reallocation, the bill impacts to customers for the first year will vary based on customer class, meter size, and actual consumption. Moreover, water consumption, particularly for single family customers, typically varies due to seasonal variations in weather and/or other factors. Hence, a single customer could face a range of impacts throughout the year. Table 28 includes a sample of bill impacts for residential, commercial, and irrigation customers at different levels of water use.

Table 28: Sample Bimonthly Water Bill Impacts
City of Brisbane
Water Utility Rate Study 2022

RESIDENTIAL BILL IMPACTS - 5/8" METER

	Bimonthly	Current	Proposed				
	Use (ccf)	Bill	July 1, 2023	July 1, 2024	July 1, 2025	July 1, 2026	July 1, 2027
Residential: 5/8" meter, 1 ccf							
Fixed Meter Charge - 5/8""		$22.67	$33.35	$36.17	$39.23	$42.55	$46.28
Consumption Charge							
Tier 1: 0 - 1 ccf	1	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Tier 2: 2 - 3 ccf	0	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Tier 3: 3 ccf	0	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Tier 4: 4 - 8 ccf	0	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Tier 5: 9 - 16 ccf	0	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Tier 6: Over 16 ccf	0	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Subtotal Consumption Charge	1	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Total Bimonthly Water Bill		$22.67	$33.35	$36.17	$39.23	$42.55	$46.28
$ Change			*$10.68*	*$2.82*	*$3.06*	*$3.32*	*$3.73*
% Change			*47.1%*	*8.5%*	*8.5%*	*8.5%*	*8.8%*
Residential: 5/8" meter, 4 ccf							
Fixed Meter Charge - 5/8""		$22.67	$33.35	$36.17	$39.23	$42.55	$46.28
Consumption Charge							
Tier 1: 0 - 1 ccf	1	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Tier 2: 2 - 3 ccf	1	$2.17	$6.30	$6.76	$7.26	$7.79	$8.36
Tier 3: 3 ccf	1	$5.63	$6.30	$6.76	$7.26	$7.79	$8.36
Tier 4: 4 - 8 ccf	1	$7.00	$6.30	$6.76	$7.26	$7.79	$8.36
Tier 5: 9 - 16 ccf	0	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Tier 6: Over 16 ccf	0	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Subtotal Consumption Charge	4	$14.80	$18.89	$20.28	$21.77	$23.37	$25.08
Total Bimonthly Water Bill		$37.47	$52.24	$56.45	$61.00	$65.92	$71.36
$ Change			*$14.77*	*$4.21*	*$4.55*	*$4.92*	*$5.44*
% Change			*39.4%*	*8.1%*	*8.1%*	*8.1%*	*8.3%*

	Bimonthly Use (ccf)	Current Bill	Proposed July 1, 2023	July 1, 2024	July 1, 2025	July 1, 2026	July 1, 2027
Residential: 5/8" meter, 10 ccf							
Fixed Meter Charge - 5/8""		$22.67	$33.35	$36.17	$39.23	$42.55	$46.28
Consumption Charge							
Tier 1: 0 - 1 ccf	1	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Tier 2: 2 - 3 ccf	1	$2.17	$6.30	$6.76	$7.26	$7.79	$8.36
Tier 3: 3 ccf	1	$5.63	$6.30	$6.76	$7.26	$7.79	$8.36
Tier 4: 4 - 8 ccf	5	$35.00	$31.49	$33.80	$36.28	$38.95	$41.80
Tier 5: 9 - 16 ccf	2	$17.38	$12.60	$13.52	$14.51	$15.58	$16.72
Tier 6: Over 16 ccf	0	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Subtotal Consumption Charge	10	$60.18	$56.68	$60.84	$65.31	$70.10	$75.24
Total Bimonthly Water Bill		$82.85	$90.03	$97.01	$104.54	$112.65	$121.52
$ Change			*$7.18*	*$6.98*	*$7.53*	*$8.11*	*$8.86*
% Change			*8.7%*	*7.8%*	*7.8%*	*7.8%*	*7.9%*
Residential: 5/8" meter, 20 ccf							
Fixed Meter Charge - 5/8""		$22.67	$33.35	$36.17	$39.23	$42.55	$46.28
Consumption Charge							
Tier 1: 0 - 1 ccf	1	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Tier 2: 2 - 3 ccf	1	$2.17	$6.30	$6.76	$7.26	$7.79	$8.36
Tier 3: 3 ccf	1	$5.63	$6.30	$6.76	$7.26	$7.79	$8.36
Tier 4: 4 - 8 ccf	5	$35.00	$31.49	$33.80	$36.28	$38.95	$41.80
Tier 5: 9 - 16 ccf	8	$69.52	$50.38	$54.08	$58.05	$62.31	$66.88
Tier 6: Over 16 ccf	4	$44.20	$25.19	$27.04	$29.03	$31.16	$33.44
Subtotal Consumption Charge	20	$156.52	$119.66	$128.44	$137.87	$148.00	$158.83
Total Bimonthly Water Bill		$179.19	$153.01	$164.61	$177.10	$190.55	$205.11
$ Change			*($26.18)*	*$11.60*	*$12.50*	*$13.44*	*$14.57*
% Change			*-14.6%*	*7.6%*	*7.6%*	*7.6%*	*7.6%*
Residential: 5/8" meter, 40 ccf							
Fixed Meter Charge - 5/8""		$22.67	$33.35	$36.17	$39.23	$42.55	$46.28
Consumption Charge							
Tier 1: 0 - 1 ccf	1	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Tier 2: 2 - 3 ccf	1	$2.17	$6.30	$6.76	$7.26	$7.79	$8.36
Tier 3: 3 ccf	1	$5.63	$6.30	$6.76	$7.26	$7.79	$8.36
Tier 4: 4 - 8 ccf	5	$35.00	$31.49	$33.80	$36.28	$38.95	$41.80
Tier 5: 9 - 16 ccf	8	$69.52	$50.38	$54.08	$58.05	$62.31	$66.88
Tier 6: Over 16 ccf	24	$265.20	$278.19	$296.37	$315.78	$336.46	$358.43
Subtotal Consumption Charge	40	$377.52	$372.65	$397.77	$424.63	$453.30	$483.83
Total Bimonthly Water Bill		$400.19	$406.00	$433.94	$463.86	$495.85	$530.11
$ Change			*$5.81*	*$27.94*	*$29.92*	*$31.99*	*$34.26*
% Change			*1.5%*	*6.9%*	*6.9%*	*6.9%*	*6.9%*

RESIDENTIAL BILL IMPACTS - 3/4" METER

	Bimonthly Use (ccf)	Current Bill	Proposed July 1, 2023	July 1, 2024	July 1, 2025	July 1, 2026	July 1, 2027
Residential: 3/4" meter, 1 ccf							
Fixed Meter Charge – 3/4"		$22.67	$33.35	$36.17	$39.23	$42.55	$46.28
Consumption Charge							
Tier 1: 0 - 3 ccf	1	$5.19	$0.00	$0.00	$0.00	$0.00	$0.00
Tier 2: 4 - 8 ccf	0	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Tier 3: 9 - 16 ccf	0	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Tier 4: Over 16 ccf	0	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Subtotal Consumption Charge	1	$5.19	$0.00	$0.00	$0.00	$0.00	$0.00
Total Bimonthly Water Bill		$27.86	$33.35	$36.17	$39.23	$42.55	$46.28
$ Change			*$5.49*	*$2.82*	*$3.06*	*$3.32*	*$3.73*
% Change			*19.7%*	*8.5%*	*8.5%*	*8.5%*	*8.8%*
Residential: 3/4" meter, 4 ccf							
Fixed Meter Charge – 3/4"		$22.67	$33.35	$36.17	$39.23	$42.55	$46.28
Consumption Charge							
Tier 1: 0 - 3 ccf	3	$15.57	$12.60	$13.52	$14.51	$15.58	$16.72
Tier 2: 4 - 8 ccf	1	$7.00	$6.30	$6.76	$7.26	$7.79	$8.36
Tier 3: 9 - 16 ccf	0	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Tier 4: Over 16 ccf	0	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Subtotal Consumption Charge	4	$22.57	$18.89	$20.28	$21.77	$23.37	$25.08
Total Bimonthly Water Bill		$45.24	$52.24	$56.45	$61.00	$65.92	$71.36
$ Change			*$7.00*	*$4.21*	*$4.55*	*$4.92*	*$5.44*
% Change			*15.5%*	*8.1%*	*8.1%*	*8.1%*	*8.3%*
Residential: 3/4" meter, 10 ccf							
Fixed Meter Charge – 3/4"		$22.67	$33.35	$36.17	$39.23	$42.55	$46.28
Consumption Charge							
Tier 1: 0 - 3 ccf	3	$15.57	$12.60	$13.52	$14.51	$15.58	$16.72
Tier 2: 4 - 8 ccf	5	$35.00	$31.49	$33.80	$36.28	$38.95	$41.80
Tier 3: 9 - 16 ccf	2	$17.38	$12.60	$13.52	$14.51	$15.58	$16.72
Tier 4: Over 16 ccf	0	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Subtotal Consumption Charge	10	$67.95	$56.68	$60.84	$65.31	$70.10	$75.24
Total Bimonthly Water Bill		$90.62	$90.03	$97.01	$104.54	$112.65	$121.52
$ Change			*($0.59)*	*$6.98*	*$7.53*	*$8.11*	*$8.86*
% Change			*-0.7%*	*7.8%*	*7.8%*	*7.8%*	*7.9%*

	Bimonthly Use (ccf)	Current Bill	Proposed July 1, 2023	July 1, 2024	July 1, 2025	July 1, 2026	July 1, 2027
Residential: 3/4" meter, 20 ccf							
Fixed Meter Charge – 3/4"		$22.67	$33.35	$36.17	$39.23	$42.55	$46.28
Consumption Charge							
Tier 1: 0 - 3 ccf	3	$15.57	$12.60	$13.52	$14.51	$15.58	$16.72
Tier 2: 4 - 8 ccf	5	$35.00	$31.49	$33.80	$36.28	$38.95	$41.80
Tier 3: 9 - 16 ccf	8	$69.52	$50.38	$54.08	$58.05	$62.31	$66.88
Tier 4: Over 16 ccf	4	$44.20	$25.19	$27.04	$29.03	$31.16	$33.44
Subtotal Consumption Charge	20	$164.29	$119.66	$128.44	$137.87	$148.00	$158.83
Total Bimonthly Water Bill		$186.96	$153.01	$164.61	$177.10	$190.55	$205.11
$ Change			*($33.95)*	*$11.60*	*$12.50*	*$13.44*	*$14.57*
% Change			*-18.2%*	*7.6%*	*7.6%*	*7.6%*	*7.6%*
Residential: 3/4" meter, 40 ccf							
Fixed Meter Charge – 3/4"		$22.67	$33.35	$36.17	$39.23	$42.55	$46.28
Consumption Charge							
Tier 1: 0 - 3 ccf	3	$15.57	$12.60	$13.52	$14.51	$15.58	$16.72
Tier 2: 4 - 8 ccf	5	$35.00	$31.49	$33.80	$36.28	$38.95	$41.80
Tier 3: 9 - 16 ccf	8	$69.52	$50.38	$54.08	$58.05	$62.31	$66.88
Tier 4: Over 16 ccf	24	$265.20	$278.19	$296.37	$315.78	$336.46	$358.43
Subtotal Consumption Charge	40	$385.29	$372.65	$397.77	$424.63	$453.30	$483.83
Total Bimonthly Water Bill		$407.96	$406.00	$433.94	$463.86	$495.85	$530.11
$ Change			*($1.96)*	*$27.94*	*$29.92*	*$31.99*	*$34.26*
% Change			*-0.5%*	*6.9%*	*6.9%*	*6.9%*	*6.9%*

COMMERCIAL BILL IMPACTS

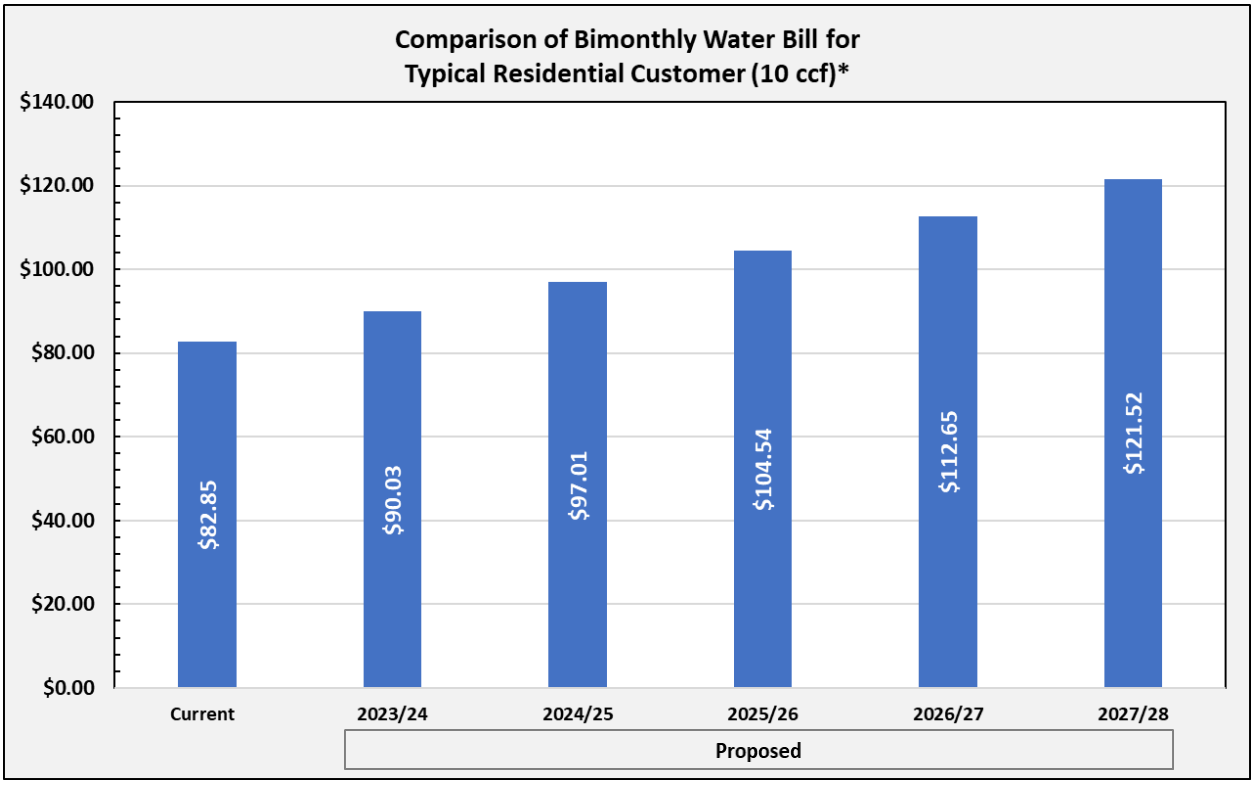
	Bimonthly Use (ccf)	Current Bill	Proposed July 1, 2023	July 1, 2024	July 1, 2025	July 1, 2026	July 1, 2027
Commercial: 5/8" meter, 10 ccf							
Fixed Meter Charge - 5/8"		$35.07	$33.35	$36.17	$39.23	$42.55	$46.28
Consumption Charge							
Tier 1: 0 - 8 ccf	8	$41.58	$44.08	$47.32	$50.80	$54.53	$58.52
Tier 2: 9 - 16 ccf	2	$17.38	$12.60	$13.52	$14.51	$15.58	$16.72
Tier 3: Over 16 ccf	0	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Subtotal Consumption Charge	10	$58.96	$56.68	$60.84	$65.31	$70.10	$75.24
Total Bimonthly Water Bill		$94.03	$90.03	$97.01	$104.54	$112.65	$121.52
$ Change			*($4.00)*	*$6.98*	*$7.53*	*$8.11*	*$8.86*
% Change			*-4.3%*	*7.8%*	*7.8%*	*7.8%*	*7.9%*
Commercial: 1-1/2" meter, 40 ccf							
Fixed Meter Charge - 1-1/2"		$0.00	$33.35	$36.17	$39.23	$42.55	$46.28
Consumption Charge							
Tier 1: 0 - 8 ccf	8	$56.00	$44.08	$47.32	$50.80	$54.53	$58.52
Tier 2: 9 - 16 ccf	8	$69.52	$50.38	$54.08	$58.05	$62.31	$66.88
Tier 3: Over 16 ccf	24	$265.20	$278.19	$296.37	$315.78	$336.46	$358.43
Subtotal Consumption Charge	40	$390.72	$372.65	$397.77	$424.63	$453.30	$483.83
Total Bimonthly Water Bill		$390.72	$406.00	$433.94	$463.86	$495.85	$530.11
$ Change			*$15.28*	*$27.94*	*$29.92*	*$31.99*	*$34.26*
% Change			*3.9%*	*6.9%*	*6.9%*	*6.9%*	*6.9%*

IRRIGATION BILL IMPACTS

	Bimonthly Use (ccf)	Current Bill	Proposed July 1, 2023	July 1, 2024	July 1, 2025	July 1, 2026	July 1, 2027
Irrigation: 1-1/2" meter, 50 ccf							
Fixed Meter Charge - 5/8"		$92.47	$88.95	$96.49	$104.62	$113.49	$123.24
Consumption Charge							
Tier 1: 0 - 8 ccf	8	$41.42	$44.08	$47.32	$50.80	$54.53	$58.52
Tier 2: 9 - 16 ccf	8	$90.80	$50.38	$54.08	$58.05	$62.31	$66.88
Tier 3: Over 16 ccf	34	$448.46	$455.29	$484.91	$516.51	$550.17	$585.93
Subtotal Consumption Charge	50	$580.68	$549.75	$586.31	$625.36	$667.01	$711.32
Total Bimonthly Water Bill		$673.15	$638.70	$682.80	$729.98	$780.49	$834.56
$ Change			*($34.46)*	*$44.10*	*$47.18*	*$50.51*	*$54.07*
% Change			*-5.1%*	*6.9%*	*6.9%*	*6.9%*	*6.9%*
Irrigation: 2" meter, 100 ccf							
Fixed Meter Charge - 2"		$92.47	$88.95	$96.49	$104.62	$113.49	$123.24
Consumption Charge							
Tier 1: 0 - 8 ccf	8	$41.42	$44.08	$47.32	$50.80	$54.53	$58.52
Tier 2: 9 - 16 ccf	8	$90.80	$50.38	$54.08	$58.05	$62.31	$66.88
Tier 3: Over 16 ccf	84	$1,107.96	$1,087.78	$1,158.24	$1,233.40	$1,313.42	$1,398.42
Subtotal Consumption Charge	100	$1,240.18	$1,182.24	$1,259.64	$1,342.25	$1,430.26	$1,523.81
Total Bimonthly Water Bill		$1,332.65	$1,271.19	$1,356.13	$1,446.87	$1,543.75	$1,647.05
$ Change			*($61.46)*	*$84.94*	*$90.74*	*$96.88*	*$103.30*
% Change			*-4.6%*	*6.7%*	*6.7%*	*6.7%*	*6.7%*

Figure 5 below demonstrates the typical bimonthly water bill a residential customer with a 5/8" or 3/4" meter will be charged during each year of the five-year Proposition 218 period.

Figure 5: Comparison of Bimonthly Water Bill for Typical Residential Customer
City of Brisbane
Water Utility Rate Study 2022

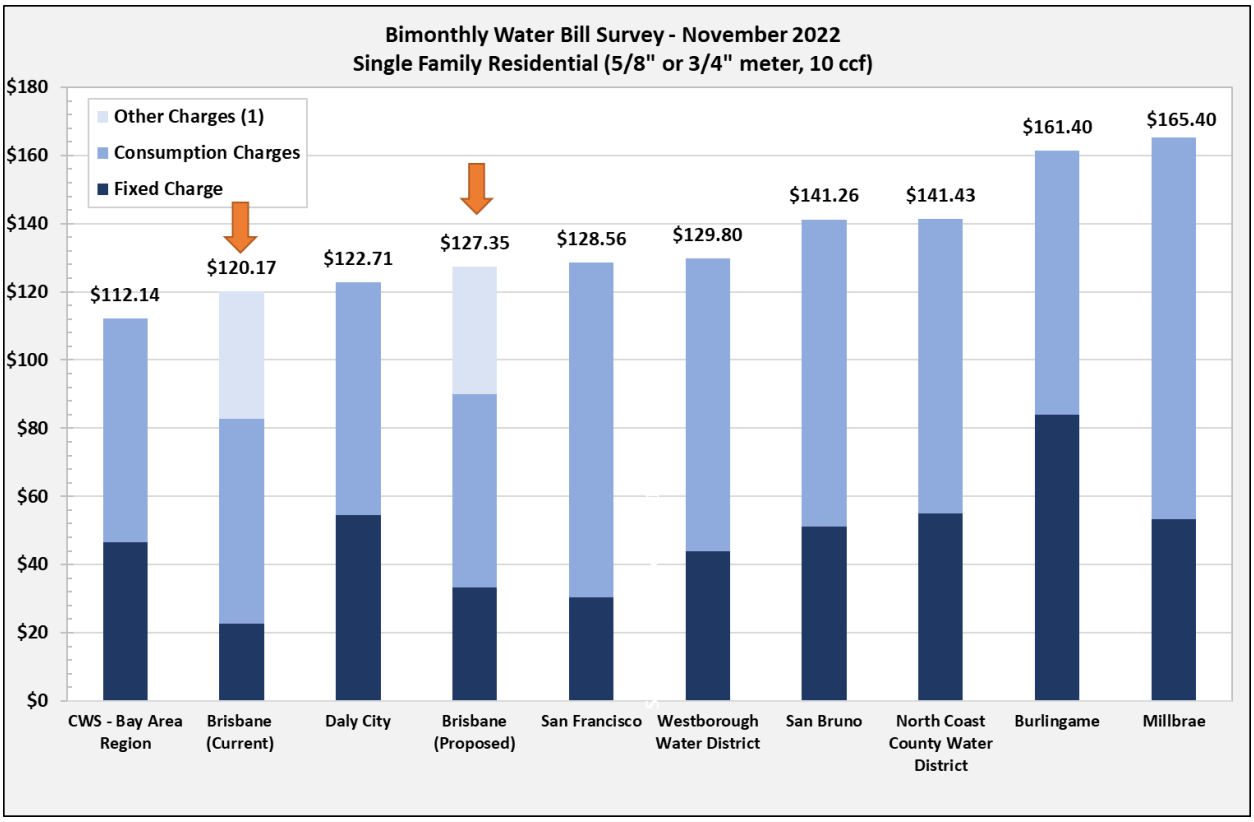


* Does not include Drought Surcharge or Capital Charge

2.6.7 Regional Water Bill Survey

The bar graph in Figure 6 below compares the City's current typical bimonthly residential water bill based on a 5/8" or 3/4" meter using 10 ccf over a 2-month period with the proposed 2023/24 bill. The bill estimates also include the Drought Contingency Charge ($2.32) and half of the Capital Projects Charge that is evenly split with the Sewer Bill ($70/2 = $35). The City's bill is compared with those of other local agencies.

Figure 6: Bimonthly Water Bill Survey
City of Brisbane
Water Utility Rate Study 2022



2.7 Water Low Income Discount

To comply with Proposition 218's cost of service requirements, water rate revenues from one group of customers cannot be used to subsidize the rates of another group. Instead, the City could utilize non-rate revenues, such as General Fund revenues, interest earnings, or delinquent penalties to fund a low income discount program. Moreover, to eliminate the administrative burden of the City developing its own low-income criteria, it is recommended that the City provide assistance to low income residents who meet the criteria of other local assistance programs such as PG&E's CARE program.

The low income discount program should be reviewed annually by the City to determine whether the water fund has adequate non-rate revenues to fund the program. Because non-water rate revenues will be used to pay for the discount, the amount of the low income discount is based on the discretion of the City.

Table 29 calculates a sample low income discount for water that is funded from a General Fund transfer. This transfer is estimated at $37,500 for the current year. The City estimates that approximately 400 customers or about 24.0% of all accounts could qualify for a discount based on the PG&E's CARE program requirements. Based on 400 customers, the table shows a bimonthly discount of approximately $15.60 per customer. For an average residential customer (10 ccf bimonthly use), this equates to a 17.3% discount off the proposed bimonthly bill for July 1, 2023.

Table 29: Water Low Income Discount
City of Brisbane
Water Utility Rate Study 2022

Total Number of Residential Water Customers	1,650
Estimated Number of Customers Eligible for Discount	400
Total Est. Water Low Income Discount Revenue	$37,500
Annual Discount per Customer	$93.80
Bimonthly Discount per Customer	$15.60
Proposed Average Bimonthly Water Bill (10 ccf) for July 1, 2023	$90.03
Proposed Average Bimonthly Water Bill (10 ccf) with Discount for July 1, 2023	$74.43
% of Discount	*17.3%*

SECTION 3: SEWER RATE STUDY

The City of Brisbane provides sewer service to approximately 1,900 residents, several commercial areas, and some light industrial development. On average, the City's sewage effluent totals approximately 173,000 ccf each year. The last sewer rate study was conducted in 2001, and sewer rates for operations have not increased since 2012. Based on City billing records, the current average monthly residential sewer flow is 5 ccf per month, or a total of 10 ccf per bimonthly billing period. The average sewer bill is currently $106.67 per bimonthly billing period (not including Capital Project Charges).

3.1 Current Wastewater Rates

A schedule of current bimonthly wastewater rates is provided in Table 30. The City's current rate structure includes two components: (a) a Fixed Charge and (b) a Variable Rate.

3.1.1 Fixed Charge

All customers are charged the same Fixed Charge. The Fixed Charge is the minimum charge for all customers. Even when a customer does not use the sewer system, the City incurs fixed costs associated with maintaining the ability or readiness to serve each connection.

The Fixed Charges are intended to recover the City's fixed expenses and currently generate about 40.0% of total wastewater rate revenues. Fixed costs include staffing, customer service, debt service, system maintenance, and repairs.

3.1.2 Variable Rate

In addition to the Fixed Charge, customers pay a Variable Rate per ccf based on a two-tiered rate structure that varies based on customer class. For residential customers, sewer flow is approximated using winter consumption for the four-month period between October and January. Commercial accounts are billed according to three customer strength categories.

The Variable Rate is intended to recover costs that vary based on the amount of sewer flow and currently generate roughly 60.0% of total wastewater rate revenues. Variable expenses include treatment costs from the City of San Francisco, utilities, and chemicals.

3.1.3 Capital Project Charge

In April of 2014, the City Council approved the first Capital Project Charge to pay for infrastructure projects for the water and sewer systems. The projects are based on the City's Capital Improvement Plan which outlines the need for approximately $5 million in projects every five years. The policy adopted in 2014 included placing a new Capital Project Charge on the water and sewer bill four times over a twenty-year period. The second charge should have been implemented in 2020 but was delayed due to the impacts of COVID. To prevent further delays in completing the projects, the City Council adopted the second of four increases to the Capital Project Charge in October 2022.

The Capital Project Charge is levied according to a tiered rate system based on springtime usage (mid-February through mid-June) to ensure that lower water users pay less than higher users. Total Capital Project Charge revenue is evenly split between the water and sewer funds. The Capital Project Charge will not be reviewed or analyzed in this study.

Table 30: Current Bi-Monthly Sewer Rates (Effective 10/15/12)
City of Brisbane
Sewer Utility Rate Study 2022

RESIDENTIAL	**Bimonthly Charge**
Flat Charge	$68.87
Variable Charge [1]	
Tier 1: 0 - 8 ccf	$2.81
Tier 2: Over 8 ccf	$7.66
COMMERCIAL [2]	**Bimonthly Charge**
Standard	
Flat Charge	$68.87
Variable Charge	
Tier 1: 0 - 8 ccf	$3.84
Tier 2: Over 8 ccf	$7.66
Medium	
Flat Charge	$68.87
Variable Charge	
Tier 1: 0 - 8 ccf	$5.68
Tier 2: Over 8 ccf	$9.74
Heavy	
Flat Charge	$68.87
Variable Charge	
Tier 1: 0 - 8 ccf	$7.59
Tier 2: Over 8 ccf	$11.82

1 - Residential bill is based on winter consumption (Oct, Nov, Dec & Jan)
2 - Standard: offices, retail establishments without restaurant, warehouses, churches, and schools
Medium: automotive services, retail establishments or offices with restaurant, laundromats, and markets
Heavy: restaurants, food preparation establishments, printing shops, metal fabrication shops, and laboratories.

3.2 Wastewater System Overview

3.2.1 Wastewater System

Wastewater is collected and conveyed by the sewer gravity system, force mains, and four City-owned lift stations: Hitachi Lift Station, Harbor Lift Station, Sierra Point Lift Station, and Valley Drive Lift Station.

The sewer collection system consists of more than 80,000 feet of laterals, mains, trunks, and 20,000 feet of forcemains ranging in size from 6 to 24 inches in diameter. The majority of the wastewater collected within the City's service area flows by gravity or is pumped by privately owned lift stations to one of the City's lift stations. From the Valley Drive Lift Station, all wastewater in the City and GVMID service areas is then pumped to the Southeast Water Pollution Control Plant in San Francisco via the Candlestick Interceptor Trunk Line.

3.2.2 Sewer Customers and Flow

Table 31 includes the current number of accounts and flow by customer strength. Residential customers represent about 87.0% of total accounts and roughly 52.0% of total flow.

Table 31: Current Sewer Accounts & Flow by Customer Class
City of Brisbane
Sewer Utility Rate Study 2022

	Current	% of Total
NO. OF ACCOUNTS (1)		
Residential	1,669	87.0%
Standard Commercial	215	11.2%
Medium Commercial	8	0.4%
Heavy Commercial	26	1.4%
Total	1,918	100.0%
SEWER FLOW		
Residential	89,719	51.9%
Standard Commercial	37,290	21.6%
Medium Commercial	4,261	2.5%
Heavy Commercial	41,651	24.1%
Total	172,921	100.0%

1 - Based on 2021 billing data

3.3 Wastewater Financial Plan

3.3.1 Sewer Reserves

For accounting purposes, the City's Utility Fund (Fund 540) combines water and sewer finances into one fund. As of July 1, 2020, the total fund balance for the Utility Fund (Fund 540) in "Cash and investments" was approximately $7.7 million. However, for the purposes of this study, the total reserves have been allocated between the water and sewer funds as shown on Table 32. Because the Sewer Utility has been operating in a deficit, additional reserves have been assigned to sewer to mitigate rate increases.

Table 32: Utility Fund (Fund 540) Reserves
City of Brisbane
Sewer Utility Rate Study 2022

Fund	Beginning Balance as of June 30, 2021
Total Utility Fund (Fund 540) Reserves (1)	$7,656,890
Water Utility Reserves (2)	$2,828,445
Sewer Utility Reserves (2)	$4,828,445

1) Cash and investments (Unaudited Financials).
Source: Proprietry Funds, Statement of Net Position, June 30, 2020
2) Includes GVMID

Adequate fund reserves protect the City when faced with unforeseen financial challenges such as emergency expenses or revenue deficits. Fund reserves allow the City to maintain its financial health and positive credit ratings, especially during emergencies. Moreover, funding can be drawn from reserves to supplement rate revenues lost during drought conditions or other unexpected situations. It is acceptable if reserves dip below the target on a temporary basis, provided the City takes action to attain the target over the longer run.

The City currently has the following sewer reserve fund target:

- *Operating Reserve:* The fund balance target is equal to 25% of annual operating expenses per City policy. This is in line with industry standards that recommend an operating reserve target of at least 25% of annual expenses to account for the time (at least 4 months) that it would take an agency to approve new rate increases to comply with Proposition 218.

3.3.2 Sewer Revenues

Table 33 shows a history of revenues for the City's Utility Fund (Fund 540). The "Water Sales" revenues are evenly split between City Water and GVMID Water. "Sewer Service Charges" are evenly split between City Sewer and GVMID Sewer. The "GVMID Only" tax revenues are divided evenly by the three GVMID utilities (GVMID water, sewer, and storm drain) to ensure that storm drain revenues are not included in this study. All Other Revenues including "Investment Earnings," "Low Income Rate Assistance," and "Capital Charge" are divided evenly amongst the four utilities.

Table 33: Utility Fund (Fund 540) Budgeted Revenues
City of Brisbane
Sewer Utility Rate Study 2022

	REVENUE CATEGORY	Actual 2018/19	Budgeted 2019/20	Budgeted 2020/21	Budgeted 2021/22
WATER ONLY (1)					
40801	Water Sales	$3,050,110	$2,950,000	$2,750,000	$3,000,000
40804	Meter Connection Fees	$68,663	$20,000	$20,000	$20,000
40805	Fire Service Charges	$118,952	$115,000	$115,000	$115,000
40806	Altamar Meter Reading Fee	$7,656	$7,500	$7,500	$7,500
	Drought Reserve Charge	$95,481	$120,000	$100,000	$100,000
	Total Water Only	**$3,340,862**	**$3,212,500**	**$2,992,500**	**$3,242,500**
SEWER ONLY (2)					
40820	Sewer Service Charges	$2,188,866	$2,200,000	$2,000,000	$2,000,000
40821	Sewer Connection Fees	$123,706	$3,000	$3,000	$3,000
	Total Sewer Only	**$2,312,572**	**$2,203,000**	**$2,003,000**	**$2,003,000**
GVMID ONLY (3)					
40101	Current Secured Tax	$27,358	$29,000	$29,000	$29,000
40102	Current Unsecured Tax	$1,513	$1,500	$1,500	$1,500
40103	Prior Year Tax	($1)	$0	$0	$0
40105	Supplemental Property Taxes	$1,048	$0	$0	$0
40108	Property Tax from RDA	$2,866	$100	$100	$100
40150	ERAF	$134	$100	$100	$100
	Total GVMID	**$32,918**	**$30,700**	**$30,700**	**$30,700**
ALL OTHER REVENUES (4)					
40501	Investment Earnings	$133,599	$50,000	$50,000	$50,000
40503	Unrealized-Gain/Loss	$96,152	$0	$0	$0
40609	H.O.P.T R	$121	$100	$100	$100
40770	Processing Fee	$5,472	$0	$0	$0
40802	Account Open/Reconnections	$2,987	$3,000	$3,000	$3,000
40803	Late Payment Charges	$8,117	$10,000	$10,000	$10,000
40810	Less: Low Income Rate Assistance	($42,336)	($50,000)	($75,000)	($75,000)
40825	Capital Charge	$378,443	$365,000	$365,000	$365,000
40941	Returned Check Fees	$75	$0	$0	$0
40959	Reimbursed Expenses - Current Year	$3,541	$0	$0	$0
40961	Transfers from Other Funds	$43,000	$50,000	$75,000	$75,000
	Total All Other Revenues	**$629,172**	**$428,100**	**$428,100**	**$428,100**
	TOTAL REVENUES	**$6,315,524**	**$5,874,300**	**$5,454,300**	**$5,704,300**

Source: Budget 2020_2022

1 - Divided by 2 between City Water & GVMID Water

2 - Divided by 2 between City Sewer & GVMID Sewer

3 - Divided by 3 between GVMID Water, Sewer, & Stormwater

4 - Divided by 4 between City Water, City Sewer, GVMID Water, & GVMID Sewer

Table 34 summarizes total revenues for the Sewer Utility. For 2022/23, Sewer Service Revenues are estimated at $2 million with total sewer revenues projected at $2.2 million.

Table 34: Sewer Utility Revenues
City of Brisbane
Sewer Utility Rate Study 2022

	Actual	Budget		
	2018/19	2019/20	2020/21	2021/22
SEWER REVENUES				
Sewer Service Revenues	$2,188,866	$2,200,000	$2,000,000	$2,000,000
Sewer Connection Fees	$123,706	$3,000	$3,000	$3,000
All Other Revenues (1)	$314,586	$214,050	$214,050	$214,050
Total	$2,627,158	$2,417,050	$2,217,050	$2,217,050
Percent Change		*-8.0%*	*-8.3%*	*0.0%*

1 – All other revenues divided by 2 (Table 33)

3.3.3 Sewer Expenses

Table 35 summarizes the operating expenses for the Sewer Utility (Fund 6130) based on the budget. On average, operating expenses have increased by 9.1% over the past 4 years. The most significant increase was for "Service and Supplies" which includes treatment costs from the City of San Francisco.

Table 35: Sewer Utility (Fund 6130) Operating Expenses
City of Brisbane
Sewer Utility Rate Study 2022

Expense	Actual 2018/19	Budgeted 2019/20	Budgeted 2020/21	Budgeted 2021/22	Avg Annual Increase
Salaries	$267,242	$233,759	$322,891	$335,165	
Percent Change	*1.9%*	*-12.5%*	*38.1%*	*3.8%*	*5.0%*
Payroll Taxes	$4,062	$3,357	$4,421	$4,599	
Percent Change	*3.6%*	*-17.4%*	*31.7%*	*4.0%*	*3.2%*
Benefits	$122,495	$143,745	$158,152	$184,923	
Percent Change	*1.9%*	*17.3%*	*10.0%*	*16.9%*	*9.0%*
Insurance	$24,716	$24,664	$37,974	$38,113	
Percent Change	*22.5%*	*-0.2%*	*54.0%*	*0.4%*	*13.6%*
Supplies and Services	$1,125,704	$1,128,565	$1,230,164	$1,487,945	
Percent Change	*32.0%*	*0.3%*	*9.0%*	*21.0%*	*11.8%*
Admin Charges and Credits	$258,621	$289,277	$331,504	$337,027	
Percent Change	*3.2%*	*11.9%*	*14.6%*	*1.7%*	*6.1%*
TOTAL CITY SEWER OPERATING EXPENSES	**$1,887,323**	**$1,927,367**	**$2,170,105**	**$2,472,772**	
Percent Change	*18.1%*	*2.1%*	*12.6%*	*13.9%*	*9.1%*

Source: Budget 2020_2022

Table 36 summarizes the operating expenses for GVMID Utility (Fund 6120). On average, operating expenses have increased by 7.0% over the past 4 years. Each expense category is divided by 3 to determine how much should be allocated to the Water Utility, Sewer Utility, and GVMID storm water. GVMID storm water expenses are not included in this study.

Table 36: GVMID Combined Utility (Fund 6120) Operating Expenses
City of Brisbane
Sewer Utility Rate Study 2022

Expense (1)	Actual 2018/19	Budgeted 2019/20	Budgeted 2020/21	Budgeted 2021/22	Avg Annual Increase	2021/22 Budget per Utility (2)
Salaries	$180,809	$179,236	$333,150	$345,879		$115,293
Percent Change	*-5.3%*	*-0.9%*	*85.9%*	*3.8%*	*17.6%*	
Payroll Taxes	$3,987	$2,306	$4,584	$4,769		$1,590
Percent Change	*39.2%*	*-42.2%*	*98.8%*	*4.0%*	*4.6%*	
Benefits	$98,172	$95,450	$153,452	$181,974		$60,658
Percent Change	*0.8%*	*-2.8%*	*60.8%*	*18.6%*	*16.7%*	
Insurance	$15,567	$16,406	$39,376	$39,521		$13,174
Percent Change	*-7.8%*	*5.4%*	*140.0%*	*0.4%*	*26.2%*	
Supplies and Services	$1,105,804	$1,166,543	$1,165,054	$1,291,240		$430,413
Percent Change	*41.8%*	*5.5%*	*-0.1%*	*10.8%*	*4.0%*	
Admin Charges and Credits	$303,900	$335,321	$341,554	$380,262		$126,754
Percent Change	*-2.0%*	*10.3%*	*1.9%*	*11.3%*	*5.8%*	
TOTAL GVMID UTILITY OPERATING EXPENSES	**$1,708,239**	**$1,795,263**	**$2,037,171**	**$2,243,645**		**$747,882**
Percent Change	*22.2%*	*5.1%*	*13.5%*	*10.1%*	*7.1%*	

Source: Budget 2020_2022

1 - Does not include expenses to "Operate a Storm Drain System" or Depreciation

2 - Budget divided by the 3 GVMID utilties (water, sewer, & storm water)

Table 37 combines the Sewer Utility (Fund 6130) Operating Expenses from Table 35 with the GVMID Combined Utility (Fund 6120) Operating Expenses from Table 36 to determine total Sewer Utility expenses for the past 4 years.

Table 37: Sewer Utility Combined Operating Expenses
City of Brisbane
Sewer Utility Rate Study 2022

Expense (1)	Actual 2018/19	Budget 2019/20	Budget 2020/21	Budget 2021/22
Salaries	$327,511	$293,505	$433,940	$450,458
Payroll Taxes	$5,391	$4,125	$5,949	$6,188
Benefits	$155,219	$175,562	$209,302	$245,581
Insurance	$29,905	$30,133	$51,099	$51,287
Supplies and Services	$1,494,306	$1,517,413	$1,618,515	$1,918,359
Admin Charges and Credits	$359,921	$401,051	$445,356	$463,781
TOTAL SEWER OPERATING EXPENSES	**$2,372,253**	**$2,421,788**	**$2,764,162**	**$3,135,654**
Percent Change	*20.1%*	*2.1%*	*14.1%*	*13.4%*

Source: Budget 2020_2022

1 - Does not include Depreciation

Table 38 below provides a projection of estimated costs for the next 5 years through 2027/28. Escalation factors were determined using City input. Supplies and Services which includes treatment costs is projected to increase by 10.0% each year. Salaries and Benefits are projected to increase by 4.0% each year. Insurance is increased by 5.0% per year, and Admin Charges and Credits are escalated by 3.0% each year. Overall, based on the escalation factors shown, total sewer operating expenses are projected to increase by approximately 8.0% each year.

Table 38: Sewer Utility Projection of Future Operating Expenses
City of Brisbane
Sewer Utility Rate Study 2022

Expense (1)	Budget 2021/22	Escalation Factor	Projected 2022/23	Years 1 -5: Proposition 218 2023/24	2024/25	2025/26	2026/27	2027/28
Salaries	$450,458	4.0%	$468,000	$487,000	$506,000	$526,000	$547,000	$569,000
Payroll Taxes	$6,188	4.0%	$6,000	$6,000	$6,000	$6,000	$6,000	$6,000
Benefits	$245,581	4.0%	$255,000	$265,000	$276,000	$287,000	$298,000	$310,000
Insurance (2)	$51,287	5.0%	$56,000	$59,000	$62,000	$65,000	$68,000	$71,000
Supplies and Services	$1,918,359	10.0%	$2,115,000	$2,327,000	$2,560,000	$2,816,000	$3,098,000	$3,408,000
Admin Charges and Credits	$463,781	4.0%	$482,000	$501,000	$521,000	$542,000	$564,000	$587,000
TOTAL SEWER OPERATING EXPENSES	**$3,135,654**		**$3,382,000**	**$3,645,000**	**$3,931,000**	**$4,242,000**	**$4,581,000**	**$4,951,000**
Percent Change	*13.4%*		*7.9%*	*7.8%*	*7.8%*	*7.9%*	*8.0%*	*8.1%*

Source: Budget 2020_2022
1 - Does not include Depreciation
2 - Insurance anticipated to increase by 10% in 2023/23

3.3.4 Sewer Treatment Costs

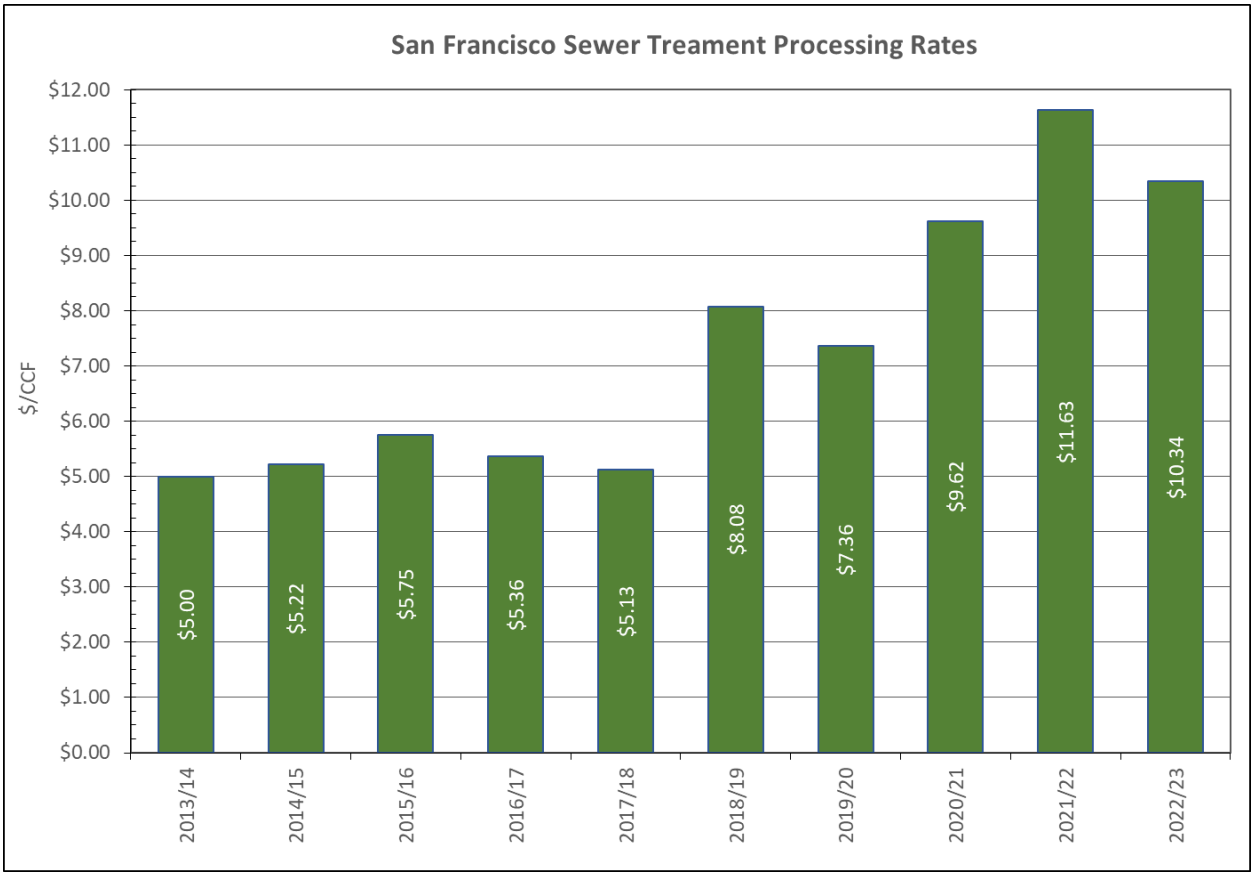
As shown on Table 39, sewer treatment costs are the largest expense for the Sewer Utility, accounting for 54.1% of total operating expenses in 2022/23.

Table 39: Sewer Treatment Processing Costs
City of Brisbane
Sewer Utility Rate Study 2022

	Budget 2018/19	2019/20	2020/21	2021/22	Projected 2022/23
Treatment Rate per ccf	$8.08	$7.36	$9.62	$11.63	$10.34
Estimated Total Sewer Flow	172,000	172,000	173,000	173,000	177,000
Total Treatment Costs	$1,389,760	$1,265,920	$1,664,260	$2,011,990	$1,830,180
Total Sewer Operating Expenses	$2,372,253	$2,421,788	$2,764,162	$3,135,654	$3,382,000
% of Total Treatment Costs/ Total Sewer Operating Expenses	58.6%	52.3%	60.2%	64.2%	54.1%

Figure 7 shows a history of treatment processing rates set by San Francisco. Since 2013/14, the cost for treatment has more than doubled from $5.00 per ccf to $10.34 per ccf for 2022/23. Meanwhile, the City has not increased its operational sewer rates since 2012. To be conservative, this study estimates that rates will increase by 10.0% each year during the rate study period.

Figure 7: Historical San Francisco Treatment Processing Rates
City of Brisbane
Sewer Utility Rate Study 2022



3.3.5 Sewer Net Revenues

Table 40 shows a history of the Sewer Utility's net revenues. The Sewer Utility has been operating in a deficit in which expenses exceed revenues. The 2021/22 budget is projecting a deficit of approximately $1.2 million which means that the Sewer Fund will need to rely on reserves to cover expenses and will not meet debt coverage.

Table 40: Sewer Net Revenues
City of Brisbane
Sewer Utility Rate Study 2022

	Actual	Budget		
	2018/19	2019/20	2020/21	2021/22
SEWER REVENUES				
Sewer Service Revenues	$2,188,866	$2,200,000	$2,000,000	$2,000,000
Other Revenues	$438,292	$217,050	$217,050	$217,000
Total	$2,627,158	$2,417,050	$2,217,050	$2,217,000
SEWER EXPENSES				
Operating	$2,372,253	$2,421,788	$2,764,162	$3,135,654
Debt Service	$312,156	$313,906	$315,156	$318,344
Subtotal	$2,684,409	$2,735,695	$3,079,318	$3,453,998
TOTAL NET REVENUES	**($57,251)**	**($318,645)**	**($862,268)**	**($1,236,998)**

3.3.6 Debt Service

The Sewer Utility currently has one outstanding debt obligation that is shared with the Water Utility – the 2015 Utility Revenue Bonds for $8.3 million. Total debt service for 2022/23 is $632,063. Debt service payments are split evenly between the Water Utility and Sewer Utility, see Table 41.

Table 41: 2015 Utility Revenue Bonds - Debt Service Schedule
City of Brisbane
Sewer Utility Rate Study 2022

Fiscal Year Ending June 30	Principal	Interest	Total Debt Service (1)
2016	$170,000	$247,103	$417,103
2017	$305,000	$327,763	$632,763
2018	$310,000	$318,513	$628,513
2019	$320,000	$304,313	$624,313
2020	$340,000	$287,813	$627,813
2021	$360,000	$270,313	$630,313
2022	$385,000	$251,688	$636,688
2023	$400,000	$232,063	$632,063
2024	$415,000	$211,688	$626,688
2025	$440,000	$190,313	$630,313
2026	$455,000	$167,938	$622,938
2027	$480,000	$149,363	$629,363
2028	$490,000	$134,813	$624,813
2029	$510,000	$119,175	$629,175
2030	$525,000	$102,356	$627,356
2031	$540,000	$84,713	$624,713
2032	$570,000	$65,625	$635,625
2033	$305,000	$50,313	$355,313
2034	$320,000	$39,175	$359,175
2035	$330,000	$23,063	$353,063
2036	$340,000	$6,375	$346,375
TOTALS	$8,310,000	$3,584,471	$11,894,471

(1) Debt service is allocated 50% to the Water Utility and 50% to the Sewer Utility.

Debt Service Coverage

A chief covenant for the City to secure State loans/grants or revenue bonds/Certificates of Participation (COPs) is to maintain a specific debt service coverage ratio. A debt service coverage ratio is a financial measure of an agency's ability to repay outstanding debt. For the 2015 Utility Revenue Bonds, the debt service coverage ratio means that annual water net revenues (gross revenues less operating and maintenance expenses) must be at least 1.25 times the combined annual debt service payments on all

parity obligations. Failure to meet the debt service coverage ratio on an annual basis is considered to be technical default, thereby making the revenue bonds/COPs callable or payable upon demand. Thus, rates and fees must be set to meet this legal requirement. Moreover, failing to meet debt service coverage may hinder the City's ability to qualify for future bond funding.

3.3.7 Sewer Cash Flow Objectives

With input from City Staff, L&T developed three sewer cash flow scenarios based on the following three financial objectives. These goals are indicators of the overall fiscal health of the Sewer Utility:

1. Meet debt service coverage
    a. The debt service coverage ratio for the 2015 bonds is 1.25x.
    b. Ratio is calculated as Net Operating Revenue/Total Debt service
2. Meet Sewer Utility reserve targets
    a. Operating Reserve Target = 25.0% of annual operating costs
3. Maintain positive net revenues
    a. To ensure that the Sewer Utility is covering its cost of service
    b. To avoid an operating deficit and dipping into reserves

3.3.8 Sewer Cash Flow Scenarios

The cash flow scenarios are as follows:

- *Sewer Scenario #1: No Rate Increases*
    - This scenario shows what would happen if the City did not increase the sewer rates. Without rate increases, the projections show that the Sewer Utility will continue to operate in a deficit and will not meet debt service coverage. Additionally, the Sewer Utility will draw down all of its reserves by the end of 2024/25.
- *Sewer Scenario #2: 8.0% Annual Rate Increases*
    - This scenario shows the impact to the Sewer Utility with 8.0% annual rate increases to cover operating cost inflation. With *Scenario #2*, the projections show that the Sewer Utility will continue to operate in a deficit and will not meet debt service coverage. Additionally, the Sewer Utility will draw down all of its reserves by the end of 2024/25.
- *Sewer Scenario #3: 25.0% Annual Rate Increases*
    - This scenario shows the impact to the Sewer Utility with annual 25.0% annual rate increases. With *Scenario #3*, the Sewer Utility would meet debt service coverage by 2026/27. The Sewer Utility will likely draw down its reserves by 2024/25 but will meet its operating reserve fund targets by 2029/30.

3.3.9 Sewer Cash Flow Assumptions

The cash flows are based on the 2021/22 budget and are based on the following assumptions:

- **Revenues**
    - Total Sewer Service Charge revenues are estimated at $2.0 million based on the 2021/22 budget.

  - Rate increases will go into effect on July 1 of each year, beginning in 2023 through 2027.
  - The Capital Charge is increased by $85,000 beginning in December 2022 and then $170,000 in 2023/24. The total estimated increase in the Capital Charge is estimated at $700,000 and is split evenly with the Sewer Utility.
  - Interest is increased by 1% each year.
- All other revenues are increased by 3% each year.
- The Low Income Rate Assistance contribution from the General Fund remains at $75,000 per year and is divided evenly between water and sewer.
- Growth is estimated at 0.5% each year.
- Total sewer flow is based on 2020 usage and is not anticipated to increase significantly over the next 5 years.

➢ **Expenses**

- Expenses are increased based on the escalation factors from Table 38.
- The only current debt obligation is the 2015 Utility Revenue Bonds. Total debt service is approximately $625,000 per year and is split evenly with the Water Utility.
- Debt service coverage is estimated at 1.25x and is calculated by dividing Net Revenues by Total Debt Service.
- Assuming that the City will issue $5 million in debt to pay for capital projects in 2027/28, total debt service is projected at $300,000 and is split evenly with the Sewer Utility beginning in 2027/28.
- No capital project expenditures are included.
- Annual depreciation is not included.

3.3.10 Sewer Scenario #1: Sewer Cash Flow Projection with No Rate Increases

Table 42 forecasts the financial health of the sewer utility over the next 10 years if the City does not implement any rate increases. Using 2021/22 as the base year, the cash flow for *Sewer Scenario #1* shows that the Sewer Utility is currently operating in a deficit (line 40). Moreover, the sewer fund is not meeting its debt service coverage requirement (line 49) and will draw down reserves by the end of 2024/25 (line 42).

Without rate increases, the sewer fund will continue to miss coverage and operate in a deficit, having to draw down reserves to pay for expenses.

Table 42: Sewer Scenario #1: No Rate Increases – Sewer Cash Flow Projection
City of Brisbane
Sewer Utility Rate Study 2022

		Budget	Projected	Years 1 -5: Proposition 218					Years 6 - 10: Extended Projection				
		2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33
1	Overall Revenue Adjustment			0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	14.0%
2	Rate Increase Effective			Jul 1, 2023	Jul 1, 2024	Jul 1, 2025	Jul 1, 2026	Jul 1, 2027	Jul 1, 2028	Jul 1, 2029	Jul 1, 2030	Jul 1, 2031	Jul 1, 2032
3													
4													
5	**BEGINNING FUND BALANCE**	$4,828,445	$3,591,447	$1,929,416	$8,072	($950,084)	($3,464,553)	($6,320,234)	($9,040,140)	($12,314,228)	($16,026,406)	($20,215,262)	($24,932,575)
6													
7	**REVENUES**												
8	Sewer Service Charges	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,280,000
9	Investment Earnings	25,000	26,000	27,000	28,000	29,000	30,000	31,000	32,000	33,000	34,000	35,000	36,000
10	Sewer Connection Fees	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
11	Account Open/Reconnections	1,500	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
12	Late Payment Charges	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
13	Capital Charge (1)	182,500	267,500	352,500	352,500	352,500	352,500	502,500	502,500	502,500	502,500	502,500	502,500
14	Transfers from Other Funds	37,500	37,500	37,500	37,500	37,500	37,500	37,500	37,500	37,500	37,500	37,500	37,500
15	Less: Low Income Rate Assistance	(37,500)	(37,500)	(37,500)	(37,500)	(37,500)	(37,500)	(37,500)	(37,500)	(37,500)	(37,500)	(37,500)	(37,500)
16	Projected Grant Revenue	0	0	0	1,250,000	0	0	0	0	0	0	0	0
17	**Total Revenues**	2,217,000	2,303,500	2,389,500	3,640,500	2,391,500	2,392,500	2,543,500	2,544,500	2,545,500	2,546,500	2,547,500	2,828,500
18													
19	**EXPENSES**												
20	*Operating & Maintenance*												
21	Salaries	450,458	468,000	487,000	506,000	526,000	547,000	569,000	592,000	616,000	641,000	667,000	694,000
22	Payroll Taxes	6,188	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000
23	Benefits	245,581	255,000	265,000	276,000	287,000	298,000	310,000	322,000	335,000	348,000	362,000	376,000
24	Insurance	51,287	56,000	59,000	62,000	65,000	68,000	71,000	75,000	79,000	83,000	87,000	91,000
25	Supplies and Services	1,918,359	2,115,000	2,327,000	2,560,000	2,816,000	3,098,000	3,408,000	3,749,000	4,124,000	4,536,000	4,990,000	5,489,000
26	Admin Charges and Credit	463,781	482,000	501,000	521,000	542,000	564,000	587,000	610,000	634,000	659,000	685,000	712,000
27	Subtotal O&M	3,135,654	3,382,000	3,645,000	3,931,000	4,242,000	4,581,000	4,951,000	5,354,000	5,794,000	6,273,000	6,797,000	7,368,000
28													
29	Net Operating Revenues	(918,654)	(1,078,500)	(1,255,500)	(290,500)	(1,850,500)	(2,188,500)	(2,407,500)	(2,809,500)	(3,248,500)	(3,726,500)	(4,249,500)	(4,539,500)
30													
31	**Debt Service**												
32	2015 Utility Bonds	318,344	316,031	313,344	315,156	311,469	314,681	312,406	314,588	313,678	312,356	317,813	158,906
33	New Bonds (2)	0	0	0	0	0	0	0	150,000	150,000	150,000	150,000	150,000
34	Subtotal Debt Service	318,344	316,031	313,344	315,156	311,469	314,681	312,406	464,588	463,678	462,356	467,813	308,906
35													
36	**Capital Projects**	0	267,500	352,500	352,500	352,500	352,500	0	0	0	0	0	0
37													
38	**Total Expenses**	3,453,998	3,965,531	4,310,844	4,598,656	4,905,969	5,248,181	5,263,406	5,818,588	6,257,678	6,735,356	7,264,813	7,676,906
39													
40	**Net Revenues**	(1,236,998)	(1,662,031)	(1,921,344)	(958,156)	(2,514,469)	(2,855,681)	(2,719,906)	(3,274,088)	(3,712,178)	(4,188,856)	(4,717,313)	(4,848,406)
41													
42	**ENDING FUND BALANCE**	3,591,447	1,929,416	8,072	(950,084)	(3,464,553)	(6,320,234)	(9,040,140)	(12,314,228)	(16,026,406)	(20,215,262)	(24,932,575)	(29,780,981)
43													
44													
45	*Reserve Funds*												
46	Operating Reserve Target (25% of O&M)	783,900	845,500	911,300	982,800	1,060,500	1,145,300	1,237,800	1,338,500	1,448,500	1,568,300	1,699,300	1,842,000
47	*Target Met?*	*yes*	*yes*	*no*	*no*	*no*	*no*	*no*	*no*	*no*	*no*	*no*	*no*
48													
49	Debt Service Coverage - 1.25x (3)	(2.89)	(3.41)	(4.01)	(4.89)	(5.94)	(6.95)	(7.71)	(6.05)	(7.01)	(8.06)	(9.08)	(14.70)
50	*Target Met?*	*no*	*no*	*no*	*no*	*no*	*no*	*no*	*no*	*no*	*no*	*no*	*no*
51													

1 - Assumes Capital Charge will increase every 5 years. First increase will go into effect on Dec 1, 2022. Second increase is anticipated in 2027/28 and assumes that the City will issue $5M in new debt (combined water & sewer).

2 - Total debt service for New Bonds is estimated at $300,000 and is split evenly with the Sewer Utility.

3 - (Net Operating Revenue less Projected Grant Revenue) divided by (Total Debt Service)

3.3.11 Sewer Scenario #2: 8% Annual Rate Increases - Cash Flow Projection

Table 43 includes annual rate increases of 8.0% each year to cover operating cost inflation. With *Sewer Scenario #2*, the projections show that the Sewer Utility will continue to operate in a deficit (line 40) and will not meet debt service coverage (line 49). Additionally, the Sewer Utility will draw down all of its reserves by the end of 2024/25 (line 42).

Table 43: Sewer Scenario #2: 8% Annual Rate Increases – Sewer Cash Flow Projection
City of Brisbane
Sewer Utility Rate Study 2022

		Budget	Projected	Years 1 -5: Proposition 218					Years 6 - 10: Extended Projection				
		2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33
1	Overall Revenue Adjustment			8.0%	8.0%	8.0%	8.0%	8.0%	4.0%	4.0%	4.0%	8.0%	8.0%
2	Rate Increase Effective			Jul 1, 2023	Jul 1, 2024	Jul 1, 2025	Jul 1, 2026	Jul 1, 2027	Jul 1, 2028	Jul 1, 2029	Jul 1, 2030	Jul 1, 2031	Jul 1, 2032
3													
4													
5	**BEGINNING FUND BALANCE**	$4,828,445	$3,591,447	$1,929,416	$168,072	($457,084)	($2,451,553)	($4,585,234)	($6,515,140)	($8,731,228)	($11,263,406)	($14,145,262)	($17,290,575)
6													
7	**REVENUES**												
8	Sewer Service Charges	2,000,000	2,000,000	2,160,000	2,333,000	2,520,000	2,722,000	2,940,000	3,058,000	3,180,000	3,307,000	3,572,000	3,858,000
9	Investment Earnings	25,000	26,000	27,000	28,000	29,000	30,000	31,000	32,000	33,000	34,000	35,000	36,000
10	Sewer Connection Fees	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
11	Account Open/Reconnections	1,500	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
12	Late Payment Charges	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
13	Capital Charge (1)	182,500	267,500	352,500	352,500	352,500	352,500	502,500	502,500	502,500	502,500	502,500	502,500
14	Transfers from Other Funds	37,500	37,500	37,500	37,500	37,500	37,500	37,500	37,500	37,500	37,500	37,500	37,500
15	Less: Low Income Rate Assistance	(37,500)	(37,500)	(37,500)	(37,500)	(37,500)	(37,500)	(37,500)	(37,500)	(37,500)	(37,500)	(37,500)	(37,500)
16	Projected Grant Revenue	0	0	0	1,250,000	0	0	0	0	0	0	0	0
17	**Total Revenues**	2,217,000	2,303,500	2,549,500	3,973,500	2,911,500	3,114,500	3,483,500	3,602,500	3,725,500	3,853,500	4,119,500	4,406,500
18													
19	**EXPENSES**												
20	*Operating & Maintenance*												
21	Salaries	450,458	468,000	487,000	506,000	526,000	547,000	569,000	592,000	616,000	641,000	667,000	694,000
22	Payroll Taxes	6,188	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000
23	Benefits	245,581	255,000	265,000	276,000	287,000	298,000	310,000	322,000	335,000	348,000	362,000	376,000
24	Insurance	51,287	56,000	59,000	62,000	65,000	68,000	71,000	75,000	79,000	83,000	87,000	91,000
25	Supplies and Services	1,918,359	2,115,000	2,327,000	2,560,000	2,816,000	3,098,000	3,408,000	3,749,000	4,124,000	4,536,000	4,990,000	5,489,000
26	Admin Charges and Credit	463,781	482,000	501,000	521,000	542,000	564,000	587,000	610,000	634,000	659,000	685,000	712,000
27	Subtotal O&M	3,135,654	3,382,000	3,645,000	3,931,000	4,242,000	4,581,000	4,951,000	5,354,000	5,794,000	6,273,000	6,797,000	7,368,000
28													
29	Net Operating Revenues	(918,654)	(1,078,500)	(1,095,500)	42,500	(1,330,500)	(1,466,500)	(1,467,500)	(1,751,500)	(2,068,500)	(2,419,500)	(2,677,500)	(2,961,500)
30													
31	**Debt Service**												
32	2015 Utility Bonds	318,344	316,031	313,344	315,156	311,469	314,681	312,406	314,588	313,678	312,356	317,813	158,906
33	New Bonds (2)	0	0	0	0	0	0	150,000	150,000	150,000	150,000	150,000	150,000
34	Subtotal Debt Service	318,344	316,031	313,344	315,156	311,469	314,681	462,406	464,588	463,678	462,356	467,813	308,906
35													
36	**Capital Projects**	0	267,500	352,500	352,500	352,500	352,500	0	0	0	0	0	0
37													
38	**Total Expenses**	3,453,998	3,965,531	4,310,844	4,598,656	4,905,969	5,248,181	5,413,406	5,818,588	6,257,678	6,735,356	7,264,813	7,676,906
39													
40	**Net Revenues**	(1,236,998)	(1,662,031)	(1,761,344)	(625,156)	(1,994,469)	(2,133,681)	(1,929,906)	(2,216,088)	(2,532,178)	(2,881,856)	(3,145,313)	(3,270,406)
41													
42	**ENDING FUND BALANCE**	3,591,447	1,929,416	168,072	(457,084)	(2,451,553)	(4,585,234)	(6,515,140)	(8,731,228)	(11,263,406)	(14,145,262)	(17,290,575)	(20,560,981)
43													
44													
45	*Reserve Funds*												
46	Operating Reserve Target (25% of O&M)	783,900	845,500	911,300	982,800	1,060,500	1,145,300	1,237,800	1,338,500	1,448,500	1,568,300	1,699,300	1,842,000
47	*Target Met?*	*yes*	*yes*	*no*	*no*	*no*	*no*	*no*	*no*	*no*	*no*	*no*	*no*
48													
49	Debt Service Coverage - 1.25x (3)	(2.89)	(3.41)	(3.50)	(3.83)	(4.27)	(4.66)	(3.17)	(3.77)	(4.46)	(5.23)	(5.72)	(9.59)
50	*Target Met?*	*no*	*no*	*no*	*no*	*no*	*no*	*no*	*no*	*no*	*no*	*no*	*no*
51													

1 - Assumes Capital Charge will increase every 5 years. First increase will go into effect on Dec 1, 2022. Second increase is anticipated in 2027/28 and assumes that the City will issue $5M in new debt (combined water & sewer).
2 - Total debt service for New Bonds is estimated at $300,000 and is split evenly with the Sewer Utility.
3 - (Net Operating Revenue less Projected Grant Revenue) divided by (Total Debt Service)

3.3.12 Sewer Scenario #3: 25% Annual Rate Increases – Cash Flow Projection

Sewer Scenario #3 includes 25.0% annual rate increases. With *Sewer Scenario #3*, the Sewer Utility would meet debt service coverage by 2026/27 (line 49) and would be out of the operating deficit by 2026/27 (line 42). The Sewer Utility will likely draw down its reserves by 2024/25 but will meet its operating reserve fund targets by 2029/30 (line 46).

Table 44: Sewer Scenario #3: 25% Annual Rate Increases – Sewer Cash Flow Projection
City of Brisbane
Sewer Utility Rate Study 2022

		Budget	Projected	Years 1 -5: Proposition 218					Years 6 - 10: Extended Projection				
		2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33
1	Overall Revenue Adjustment			25.0%	25.0%	25.0%	25.0%	25.0%	4.0%	4.0%	4.0%	4.0%	4.0%
2	Rate Increase Effective			Jul 1, 2023	Jul 1, 2024	Jul 1, 2025	Jul 1, 2026	Jul 1, 2027	Jul 1, 2028	Jul 1, 2029	Jul 1, 2030	Jul 1, 2031	Jul 1, 2032
3													
4													
5	**BEGINNING FUND BALANCE**	$4,828,445	$3,591,447	$1,929,416	$508,072	($575,084)	($1,183,553)	($1,156,234)	$77,860	$1,151,772	$2,041,594	$2,718,738	$3,142,425
6													
7	**REVENUES**												
8	Sewer Service Charges	2,000,000	2,000,000	2,500,000	3,125,000	3,906,000	4,883,000	6,104,000	6,348,000	6,602,000	6,866,000	7,141,000	7,427,000
9	Investment Earnings	25,000	26,000	27,000	28,000	29,000	30,000	31,000	32,000	33,000	34,000	35,000	36,000
10	Sewer Connection Fees	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
11	Account Open/Reconnections	1,500	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
12	Late Payment Charges	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
13	Capital Charge (1)	182,500	267,500	352,500	352,500	352,500	352,500	502,500	502,500	502,500	502,500	502,500	502,500
14	Transfers from Other Funds	37,500	37,500	37,500	37,500	37,500	37,500	37,500	37,500	37,500	37,500	37,500	37,500
15	Less: Low Income Rate Assistance	(37,500)	(37,500)	(37,500)	(37,500)	(37,500)	(37,500)	(37,500)	(37,500)	(37,500)	(37,500)	(37,500)	(37,500)
16	Projected Grant Revenue	0	0	0	0	0	0	0	0	0	0	0	0
17	**Total Revenues**	2,217,000	2,303,500	2,889,500	3,515,500	4,297,500	5,275,500	6,647,500	6,892,500	7,147,500	7,412,500	7,688,500	7,975,500
18													
19	**EXPENSES**												
20	*Operating & Maintenance*												
21	Salaries	450,458	468,000	487,000	506,000	526,000	547,000	569,000	592,000	616,000	641,000	667,000	694,000
22	Payroll Taxes	6,188	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000
23	Benefits	245,581	255,000	265,000	276,000	287,000	298,000	310,000	322,000	335,000	348,000	362,000	376,000
24	Insurance	51,287	56,000	59,000	62,000	65,000	68,000	71,000	75,000	79,000	83,000	87,000	91,000
25	Supplies and Services	1,918,359	2,115,000	2,327,000	2,560,000	2,816,000	3,098,000	3,408,000	3,749,000	4,124,000	4,536,000	4,990,000	5,489,000
26	Admin Charges and Credit	463,781	482,000	501,000	521,000	542,000	564,000	587,000	610,000	634,000	659,000	685,000	712,000
27	Subtotal O&M	3,135,654	3,382,000	3,645,000	3,931,000	4,242,000	4,581,000	4,951,000	5,354,000	5,794,000	6,273,000	6,797,000	7,368,000
28													
29	Net Operating Revenues	(918,654)	(1,078,500)	(755,500)	(415,500)	55,500	694,500	1,696,500	1,538,500	1,353,500	1,139,500	891,500	607,500
30													
31	**Debt Service**												
32	2015 Utility Bonds	318,344	316,031	313,344	315,156	311,469	314,681	312,406	314,588	313,678	312,356	317,813	158,906
33	New Bonds (2)	0	0	0	0	0	0	150,000	150,000	150,000	150,000	150,000	150,000
34	Subtotal Debt Service	318,344	316,031	313,344	315,156	311,469	314,681	462,406	464,588	463,678	462,356	467,813	308,906
35													
36	**Capital Projects**	0	267,500	352,500	352,500	352,500	352,500	0	0	0	0	0	0
37													
38	**Total Expenses**	3,453,998	3,965,531	4,310,844	4,598,656	4,905,969	5,248,181	5,413,406	5,818,588	6,257,678	6,735,356	7,264,813	7,676,906
39													
40	**Net Revenues**	(1,236,998)	(1,662,031)	(1,421,344)	(1,083,156)	(608,469)	27,319	1,234,094	1,073,913	889,822	677,144	423,688	298,594
41													
42	**ENDING FUND BALANCE**	3,591,447	1,929,416	508,072	(575,084)	(1,183,553)	(1,156,234)	77,860	1,151,772	2,041,594	2,718,738	3,142,425	3,441,019
43													
44													
45	*Reserve Funds*												
46	Operating Reserve Target (25% of O&M)	783,900	845,500	911,300	982,800	1,060,500	1,145,300	1,237,800	1,338,500	1,448,500	1,568,300	1,699,300	1,842,000
47	*Target Met?*	*yes*	*yes*	*no*	*no*	*no*	*no*	*no*	*no*	*yes*	*yes*	*yes*	*yes*
48													
49	Debt Service Coverage - 1.25x (3)	(2.89)	(3.41)	(2.41)	(1.32)	0.18	2.21	3.67	3.31	2.92	2.46	1.91	1.97
50	*Target Met?*	*no*	*no*	*no*	*no*	*no*	*yes*	*yes*	*yes*	*yes*	*yes*	*yes*	*yes*
51													

1 - Assumes Capital Charge will increase every 5 years. First increase will go into effect on Dec 1, 2022. Second increase is anticipated in 2027/28 and assumes that the City will issue $5M in new debt (combined water & sewer).
2 - Total debt service for New Bonds is estimated at $300,000 and is split evenly with the Sewer Utility.
3 - (Net Operating Revenue less Projected Grant Revenue) divided by (Total Debt Service)

3.3.13 Sewer Scenario Comparison

Table 45 includes a summary of the proposed rate adjustments and the three financial goals for all three scenarios. Based on the proposed rate adjustments, only *Sewer Scenario #3: 25% Annual Rate Increases* would allow the Sewer Utility to meet its debt service coverage ratio and have positive net revenues by 2027/28.

Table 45: Sewer Scenario Comparison
City of Brisbane
Sewer Utility Rate Study 2022

GOAL 1 : MEET DEBT SERVICE COVERAGE

	Projected	Proposed				
	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Debt Service Coverage Ratio Required	1.25	1.25	1.25	1.25	1.25	1.25
Scenario 1: No Rate Increases	(3.41)	(4.01)	(4.89)	(5.94)	(6.95)	(7.71)
Target Met?	no	no	no	no	no	no
Scenario 2: 8% Annual Rate Increases	(3.41)	(3.50)	(3.83)	(4.27)	(4.66)	(3.17)
Target Met?	no	no	no	no	no	no
Scenario 3: 25% Annual Rate Increases	(3.41)	(2.41)	(1.32)	0.18	2.21	3.67
Target Met?	no	no	no	no	yes	yes

GOAL 2: MEET SEWER RESERVE FUND TARGET

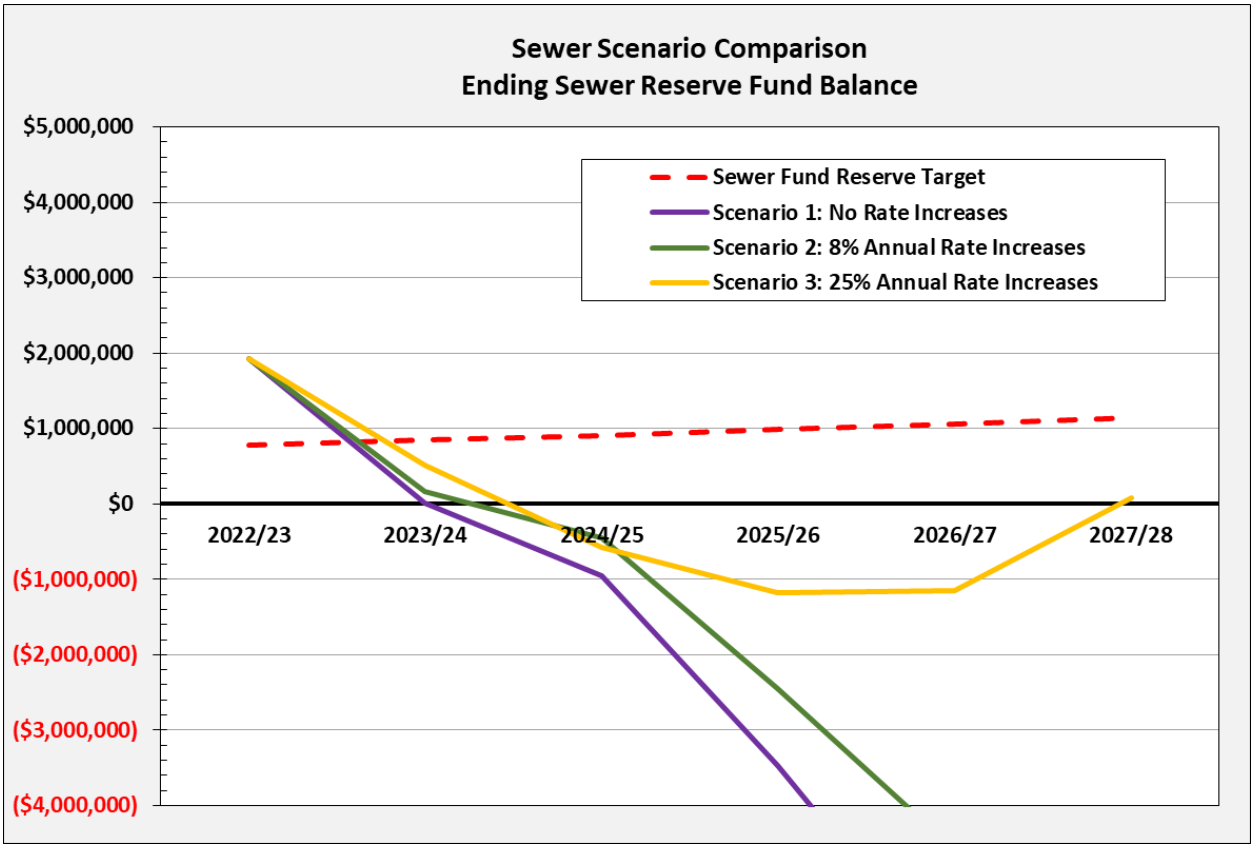
	Projected	Proposed				
	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Sewer Fund Reserve Target	$783,900	$845,500	$911,300	$982,800	$1,060,500	$1,145,300
Scenario 1: No Rate Increases	$1,929,416	$8,072	($950,084)	($3,464,553)	($6,320,234)	($9,040,140)
Target Met?	no	no	no	no	no	no
Scenario 2: 8% Annual Rate Increases	$1,929,416	$168,072	($457,084)	($2,451,553)	($4,585,234)	($6,515,140)
Target Met?	no	no	no	no	no	no
Scenario 3: 25% Annual Rate Increases	$1,929,416	$508,072	($575,084)	($1,183,553)	($1,156,234)	$77,860
Target Met?	no	no	no	no	no	no

GOAL 3: POSITIVE TOTAL NET REVENUES

	Projected	Proposed				
	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Scenario 1: No Rate Increases	($1,662,031)	($1,921,344)	($958,156)	($2,514,469)	($2,855,681)	($2,719,906)
Target Met?	no	no	no	no	no	no
Scenario 2: 8% Annual Rate Increases	($1,662,031)	($1,761,344)	($625,156)	($1,994,469)	($2,133,681)	($1,929,906)
Target Met?	no	no	no	no	no	no
Scenario 3: 25% Annual Rate Increases	($1,662,031)	($1,421,344)	($1,083,156)	($608,469)	$27,319	$1,234,094
Target Met?	no	no	no	no	yes	yes

Figure 8 graphically shows the projected total ending reserve fund balance under each scenario. The red dotted line represents the total reserve fund target. The purple line represents *Sewer Scenario #1: No Rate Increases.* The green line represents *Sewer Scenario #2: 8.0% Annual Rate Increases.* The yellow line represents *Sewer Scenario #3: 25.0% Annual Rate Increases*. It is projected that the Sewer Utility will reverse the operating deficit by the end of 2027/28 with *Sewer Scenario #3*.

Figure 8: Sewer Scenario Comparison - Ending Water Fund Reserve Fund Balance
City of Brisbane
Sewer Utility Rate Study 2022



3.4 Sewer Cost Allocation

The revenue requirements detailed in the previous section determine the amount of revenue to be recovered from sewer rates. The cost of service allocation determines how revenues will be recovered from customers based on their estimated impact on the sewer system. Proposition 218 requires that agencies providing "property-related services" (including sewer service) set rates and charges that are based on the cost of providing those services.

3.4.1 Overview of Sewer Cost Allocation Methodology

The determination of the sewer flows, sewer loadings, and the revenue requirements of the Sewer Utility provide the basis for performing the cost of service analysis. The concept of proportionate allocation to each customer class indicates that allocations should take into consideration the quantity of effluent a customer contributes in addition to the strength of sewer.

The key factors used to assign sewer utility costs are estimated effluent (flow) going to the wastewater treatment plant and effluent strengths, measured in biochemical oxygen demand (BOD) and total suspended solids (TSS). Higher levels of BOD or TSS typically equate to increased treatment costs. The total revenue requirement shown in the sewer cash flow projections is the net cost of providing service and is allocated to the flow, BOD, and TSS parameters. These allocations are then used as the basis to develop unit rates for the sewer parameters and to assign costs to each customer class in proportion to the sewer services rendered.

Using the 2021/22 budget as the base year, sewer expenses are allocated to the following categories (a) *Base*, (b) *Flow*, and (c) *Strength* which is typically measured in biochemical oxygen demand (BOD) and total suspended solids (TSS).

- *Base Costs:* Base costs represent the fixed expenditures of the sewer utility, including personnel costs and overhead expenses. These fixed costs are allocated based on the total number of sewer accounts or meters.

- *Flow Costs*: Volume- or flow-related costs that vary with the total quantity of wastewater collected. Because most agencies do not meter wastewater discharges, metered water consumption is used to estimate contributed average wastewater volume units of service.

- *Strength Costs:* Strength-related costs are those expenditures associated with the additional handling and treatment of high strength sewer. Sewer strength is typically measured in BOD and TSS. Increased levels of BOD or TSS typically equate to increased treatment costs.

3.4.2 Current Sewer Service Revenues – Fixed vs Variable Revenue Recovery

Table 46 summarizes the percentages of Sewer Service Revenues currently derived from the Fixed Charges vs. Variable Charges. On average, the City collects roughly 40.0% of total Sewer Service Revenues from the Fixed Charge and 60.0% from the Variable Charges. Based on input from staff, the City would like to transition to a 30% fixed / 70% variable revenue recovery because the largest expense for the Sewer Utility is treatment costs which vary each year based on the rates set by the City of San Francisco.

Table 46: Current Sewer Service Revenues – Fixed vs. Variable Revenue Recovery
City of Brisbane
Sewer Utility Rate Study 2022

	Fixed Charges	Variable Charges	Total Sewer Service Charge Revenues	% of Total
Total Revenues City vs. GVMID				
City	$506,195	$706,101	$1,212,295	59.8%
GVMID	$286,361	$526,929	$813,290	40.2%
Total Sewer Service Charge Revenues	$792,556	$1,233,030	$2,025,585	100.0%
% of Total	*39.1%*	*60.9%*	*100.0%*	
Total Revenues by Customer Class				
Residential	$689,664	$407,878	$1,097,542	54.2%
Commercial				
Standard	$88,842	$295,333	$384,175	19.0%
Medium	$3,306	$34,017	$37,323	1.8%
Heavy	$10,744	$495,801	$506,545	25.0%
Subtotal Commercial	$102,892	$825,151	$928,043	45.8%
Total Sewer Service Charge Revenues	$792,556	$1,233,030	$2,025,585	100%
% of Total	*39.1%*	*60.9%*	*100.0%*	

Source: Utility Billing Data 2018-2020 Water & sewer Export

3.4.3 Cost Allocation

Table 47 summarizes the cost allocation for a 30.0% fixed / 70.0% variable revenue recovery based on staff input. These allocations are then used as the basis to develop unit rates for each charge.

Table 47: Sewer Cost Allocation – 30% Fixed/70% Variable
City of Brisbane
Sewer Utility Rate Study 2022

	FY2022/23	Cost Allocation - %					Cost Allocation - $				
Expenses	Budget	Base	Flow	BOD	TSS	Total	Base	Flow	BOD	TSS	Total
Operating Expenses											
Salaries	$468,000	30%	23%	23%	23%	100%	$140,400	$109,200	$109,200	$109,200	$468,000
Payroll Taxes	$6,000	30%	23%	23%	23%	100%	$1,800	$1,400	$1,400	$1,400	$6,000
Benefits	$255,000	30%	23%	23%	23%	100%	$76,500	$59,500	$59,500	$59,500	$255,000
Insurance	$56,000	30%	23%	23%	23%	100%	$16,800	$13,067	$13,067	$13,067	$56,000
Supplies and Services	$2,115,000	30%	23%	23%	23%	100%	$634,500	$493,500	$493,500	$493,500	$2,115,000
Admin Charges and Credit	$482,000	30%	23%	23%	23%	100%	$144,600	$112,467	$112,467	$112,467	$482,000
Subtotal Operating Expenses	$3,382,000						$1,014,600	$789,133	$789,133	$789,133	$3,382,000
Debt Service											
2015 Utility Bonds	$316,031	30%	23%	23%	23%	100%	$94,809	$73,741	$73,741	$73,741	$316,031
New Bonds	$0	30%	23%	23%	23%	100%	$0	$0	$0	$0	$0
Subtotal Debt Service	$316,031						$94,809	$73,741	$73,741	$73,741	$316,031
Total Allocation	**$3,698,031**	**30.0%**	**23.3%**	**23.3%**	**23.3%**	**100.0%**	**$1,109,409**	**$862,874**	**$862,874**	**$862,874**	**$3,698,031**

3.5 Sewer Rate Design

The cost of service analysis calculated the revenue requirements for each customer class. The next step is rate design which determines how those revenue requirements are collected from each class based on their estimated impact on the sewer system.

The proposed sewer rate structure is as follows:

- Fixed Charges
  - All customer classes will continue to pay the same bimonthly flat charge.

- Variable Charges
  - Eliminate tiered rates for all customers and transition to single tier based on customer strength. Tiers are typically utilized for water rates to encourage conservation and are less relevant to sewer flow.
  - Residential customers will continue to only be charged for winter water use (October through January) while commercial customers will be charged for all consumption.

3.5.1 Sewer Flow and Loadings

Table 48 summarizes the flow and strength characteristics by customer class. Sewer flow is based on the City's 2019/20 billing data. The strength factors and sewer loadings are based on the guidelines from the State Water Resources Control Council (SWRCB) Revenue Program and standards utilized by other wastewater agencies.

Table 48: Sewer Flow and Loadings
City of Brisbane
Sewer Utility Rate Study 2022

	BASE	FLOW		BOD		TSS	
Customer Class	Accounts	Flow (ccf) (1)	Flow (MG)	Strength (mg/l)	Loadings (lbs)	Strength (mg/l)	Loadings (lbs)
Residential	1,669	89,719	67.1	165	92,350	165	92,350
Standard Commercial	208	37,290	27.9	200	46,525	200	46,525
Medium Commercial	6	4,261	3.2	300	7,974	300	7,974
Heavy Commercial	28	41,651	31.2	400	103,933	400	103,933
Total	1,911	172,921	129.3		250,783		250,783

1 - Based on 2019/20 billing data

3.5.2 Projected Sewer Accounts & Sewer Flow

Table 49 shows a projection of sewer accounts, flow, and loadings for the rate study period through 2027/28. Growth is estimated at 0.5% each year while sewer flow is anticipated to increase by 2.0% annually beginning in 2022/23.

Table 49: Projected Growth, Sewer Flow, and Loadings
City of Brisbane
Sewer Utility Rate Study 2022

	Actual	PROJECTED			PROJECTED - RATE STUDY PERIOD				
	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
NUMBER OF ACCOUNTS									
Increase %		0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%
Residential	1,669	1,677	1,686	1,694	1,703	1,711	1,720	1,728	1,737
Standard Commercial	215	216	217	218	219	220	222	223	224
Medium Commercial	8	8	8	8	8	8	8	8	8
Heavy Commercial	26	26	26	26	27	27	27	27	27
Total Sewer Accounts	1,918	1,928	1,937	1,947	1,957	1,966	1,976	1,986	1,996
SEWER FLOW (ccf)									
Increase %		0.00%	0.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Residential	89,719	90,000	90,000	92,000	94,000	96,000	98,000	100,000	102,000
Standard Commercial	37,290	37,000	37,000	38,000	39,000	40,000	41,000	42,000	43,000
Medium Commercial	4,261	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000
Heavy Commercial	41,651	42,000	42,000	43,000	44,000	45,000	46,000	47,000	48,000
Total Estimated Flow (ccf)	172,921	173,000	173,000	177,000	181,000	185,000	189,000	193,000	197,000
SEWER LOADINGS (mg/l)									
Increase %		0.00%	0.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Residential	92,350	92,000	92,000	94,000	96,000	98,000	100,000	102,000	104,000
Standard Commercial	46,525	47,000	47,000	48,000	49,000	50,000	51,000	52,000	53,000
Medium Commercial	7,974	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000
Heavy Commercial	103,933	104,000	104,000	106,000	108,000	110,000	112,000	114,000	116,000
Total Estimated Loadings	250,783	251,000	251,000	256,000	261,000	266,000	271,000	276,000	281,000

3.6 Sewer Rate Design for Scenario #3

3.6.1 Scenario #3: Sewer Rate Derivation

Table 50 details the rate derivation for the Fixed Charge for *Sewer Scenario #3* based on a 30.0% fixed / 70.0% variable revenue recovery. For the rate study period, the "Fixed Charge Revenue Requirement" for each year is divided by the "Total Number of Accounts" to derive a "Bimonthly Fixed Charge per Account." The proposed 2023/24 Fixed Charge is $64.20, representing a $4.67 (or 6.8%) decrease from the current Fixed Charge of $68.87.

The rates have been calculated to increase total Sewer Service Revenues by 25.0% each year. However, for 2023/24, the proposed revenue adjustments in the cash flow do not directly correlate to the same increase in rates because of the shift to a 30% fixed/70% variable revenue recovery.

Table 50: Sewer Flat Charge Rate Derivation
City of Brisbane
Sewer Utility Rate Study 2022

	Current	PROJECTED - RATE STUDY PERIOD				
		2023/24	2024/25	2025/26	2026/27	2027/28
TOTAL REVENUE REQUIREMENT (1)		$2,500,000	$3,125,000	$3,906,000	$4,883,000	$6,104,000
Fixed/Variable Allocation						
Fixed Charge		30.0%	30.0%	30.0%	30.0%	30.0%
Variable Charge		70.0%	70.0%	70.0%	70.0%	70.0%
FIXED SERVICE CHARGE CALCULATION						
Fixed Revenue Requirement		$750,000	$937,500	$1,171,800	$1,464,900	$1,831,200
Total Number of Accounts	1,918	1,947	1,957	1,966	1,976	1,986
Bimonthly Flat Charge per Account	**$68.87**	**$64.20**	**$79.86**	**$99.32**	**$123.54**	**$153.66**
% Change		*-6.8%*	*24.4%*	*24.4%*	*24.4%*	*24.4%*

1 – Table 44, Line 5

3.6.2 Sewer Scenario #3: Variable Rate Derivation

Table 51 demonstrates how the Variable Charge for 2023/24 is calculated for *Sewer Scenario #3* based on a 30.0% fixed / 70.0% variable revenue recovery. The total "Variable Charge Recovery $" is first apportioned to flow, BOD and TSS (50.0% to Flow, 25.0 % to BOD, and.25.0% to SS). The City of San Francisco currently does not charge based on effluent strength but may do so in the future. Therefore, costs are evenly split between flow costs and strength costs. Next, the "Cost Allocation $" for each parameter is then divided by its "Total Annual Loadings" (Table 49) to derive unit costs. The unit costs for the remaining years in the study period are derived in the same manner, and the tables are included in the appendix.

Table 51: Sewer Scenario #3 - Sewer Variable Unit Rate Derivation for 2023/24
City of Brisbane
Sewer Utility Rate Study 2022

Allocation to Variable Charges			
FY2023/24 Revenue Requirement (1)		$2,500,000	
Variable Charge Recovery %		70%	
Variable Charge Recovery $		$1,750,000	
Allocation to Flow, BOD, SS	Flow	BOD	SS
Cost Allocation %	50%	25%	25%
Cost Allocation $	$875,000	$438,000	$438,000
Total Annual Loadings	181,000	261,000	261,000
Units	ccf	lbs	lbs
Unit Cost	$4.83 per ccf	$1.68 per lb	$1.68 per lb

1 - Table 44, Line 10

3 - Table 49

The unit rates from Table 51 are multiplied by each customer class's respective loadings to determine a "Total Variable Rate per ccf" for each customer class, see Table 52. The Variable Rate is the sum of the flow, BOD, and TSS unit costs. For Residential customers, the proposed "Total Variable Rate" for 2023/24 is $8.29 per ccf. The Variable Rates for the remaining years in the study period are derived in the same manner and the tables are included in the appendix.

Table 52: Sewer Scenario #3 - Volume Rate by Customer Classes for 2023/24
City of Brisbane
Sewer Utility Rate Study 2022

	Wastewater Strength (mg/l)		Unit Rates ($ per ccf or lb) (1)			Total
			Flow	BOD	SS	Variable Rate
Customer Class	BOD	SS	$4.83	$1.68	$1.68	per ccf
Residential	165	165	$4.83	$1.73	$1.73	$8.29
Standard Commercial	200	200	$4.83	$2.09	$2.09	$9.02
Medium Commercial	300	300	$4.83	$3.14	$3.14	$11.12
Heavy Commercial	400	400	$4.83	$4.19	$4.19	$13.21

1 - Table 51

3.6.3 Sewer Scenario #3: Proposed Bimonthly Sewer Rates

Table 53 summarizes the proposed bimonthly sewer rates. The proposed Flat Charges are the same for all customers. The proposed Variable Charges vary based on customer class.

Table 53: Proposed Bi-Monthly Sewer Rates
City of Brisbane
Sewer Utility Rate Study 2022

	RATE STUDY PERIOD				
	July 1, 2023	July 1, 2024	July 1, 2025	July 1, 2026	July 1, 2027
RESIDENTIAL (1)					
Flat Charge	$64.20	$79.86	$99.32	$123.54	$153.66
Variable Charge (per ccf) (2)	$8.29	$10.15	$12.43	$15.23	$18.67
COMMERCIAL					
Standard					
Flat Charge	$64.20	$79.86	$99.32	$123.54	$153.66
Variable Charge (per ccf)	$9.02	$11.04	$13.53	$16.59	$20.33
Medium					
Flat Charge	$64.20	$79.86	$99.32	$123.54	$153.66
Variable Charge (per ccf)	$11.12	$13.61	$16.68	$20.45	$25.07
Heavy					
Flat Charge	$64.20	$79.86	$99.32	$123.54	$153.66
Variable Charge (per ccf)	$13.21	$16.18	$19.83	$24.32	$29.81

1 - Residential bill is based on winter consumption (Oct, Nov, Dec & Jan)

2 - 1 ccf (hundred cubic feet) = 748 gallons

3.6.4 Sewer Scenario #3: Sewer Bill Impacts

Table 54 includes a sample of bill impacts for residential and commercial customers. For 2023/24, the proposed revenue adjustments in the cash flow do not directly correlate to the same increase in rates because the cost of service analysis reallocates the required revenue proportionate to each customer class's total flow. Therefore, actual bill impacts will vary based on customer class and consumption.

Table 54: Sewer Scenario #3 – Sample Bimonthly Sewer Bills
City of Brisbane
Sewer Utility Rate Study 2022

RESIDENTIAL BILL IMPACTS

	Bimonthly Use (ccf)	Current Bill	Proposed				
			July 1, 2023	July 1, 2024	July 1, 2025	July 1, 2026	July 1, 2027
Residential - 4 ccf							
Fixed Charge		$68.87	$64.20	$79.86	$99.32	$123.54	$153.66
Variable Charge							
Tier 1: 0 - 8 ccf	4	$11.24	$33.16	$40.59	$49.72	$60.93	$74.67
Tier 2: Over 8 ccf	0	$0.00					
Subtotal Variable Charge	4	$11.24					
Total Bimonthly Sewer Bill		$80.11	$97.36	$120.45	$149.04	$184.47	$228.33
$ Change			*$17.25*	*$23.09*	*$28.59*	*$35.43*	*$43.86*
% Change			*21.5%*	*23.7%*	*23.7%*	*23.8%*	*23.8%*
Residential - 10 ccf							
Fixed Charge		$68.87	$64.20	$79.86	$99.32	$123.54	$153.66
Variable Charge							
Tier 1: 0 - 8 ccf	8	$22.48	$82.89	$101.47	$124.29	$152.32	$186.67
Tier 2: Over 8 ccf	2	$15.32					
Subtotal Variable Charge	10	$37.80					
Total Bimonthly Sewer Bill		$106.67	$147.09	$181.33	$223.61	$275.86	$340.33
$ Change			*$40.42*	*$34.24*	*$42.28*	*$52.25*	*$64.47*
% Change			*37.9%*	*23.3%*	*23.3%*	*23.4%*	*23.4%*
Residential - 20 ccf							
Fixed Charge		$68.87	$64.20	$79.86	$99.32	$123.54	$153.66
Variable Charge							
Tier 1: 0 - 8 ccf	8	$22.48	$165.78	$202.94	$248.58	$304.64	$373.34
Tier 2: Over 8 ccf	12	$91.92					
Subtotal Variable Charge	20	$114.40					
Total Bimonthly Sewer Bill		$183.27	$229.98	$282.80	$347.90	$428.18	$527.00
$ Change			*$46.71*	*$52.82*	*$65.10*	*$80.29*	*$98.81*
% Change			*25.5%*	*23.0%*	*23.0%*	*23.1%*	*23.1%*

STANDARD COMMERCIAL

	Bimonthly Use (ccf)	Current Bill	Proposed				
			Jan 1, 2023	July 1, 2023	July 1, 2024	July 1, 2025	July 1, 2026
Standard Commercial - 10 ccf							
Fixed Charge		$68.87	$64.20	$79.86	$99.32	$123.54	$153.66
Variable Charge							
Tier 1: 0 - 8 ccf	8	$30.72	$90.22	$110.45	$135.31	$165.85	$203.27
Tier 2: Over 8 ccf	2	$15.32					
Subtotal Variable Charge	10	$46.04					
Total Bimonthly Sewer Bill		$114.91	$154.42	$190.31	$234.63	$289.39	$356.93
$ Change			*$39.51*	*$35.89*	*$44.32*	*$54.76*	*$67.54*
% Change			*34.4%*	*23.2%*	*23.3%*	*23.3%*	*23.3%*
Standard Commercial - 20 ccf							
Fixed Charge		$68.87	$64.20	$79.86	$99.32	$123.54	$153.66
Variable Charge							
Tier 1: 0 - 8 ccf	8	$30.72	$180.44	$220.90	$270.62	$331.70	$406.53
Tier 2: Over 8 ccf	12	$91.92					
Subtotal Variable Charge	20	$122.64					
Total Bimonthly Sewer Bill		$191.51	$244.64	$300.76	$369.94	$455.24	$560.19
$ Change			*$53.13*	*$56.12*	*$69.18*	*$85.30*	*$104.95*
% Change			*27.7%*	*22.9%*	*23.0%*	*23.1%*	*23.1%*

MEDIUM COMMERCIAL

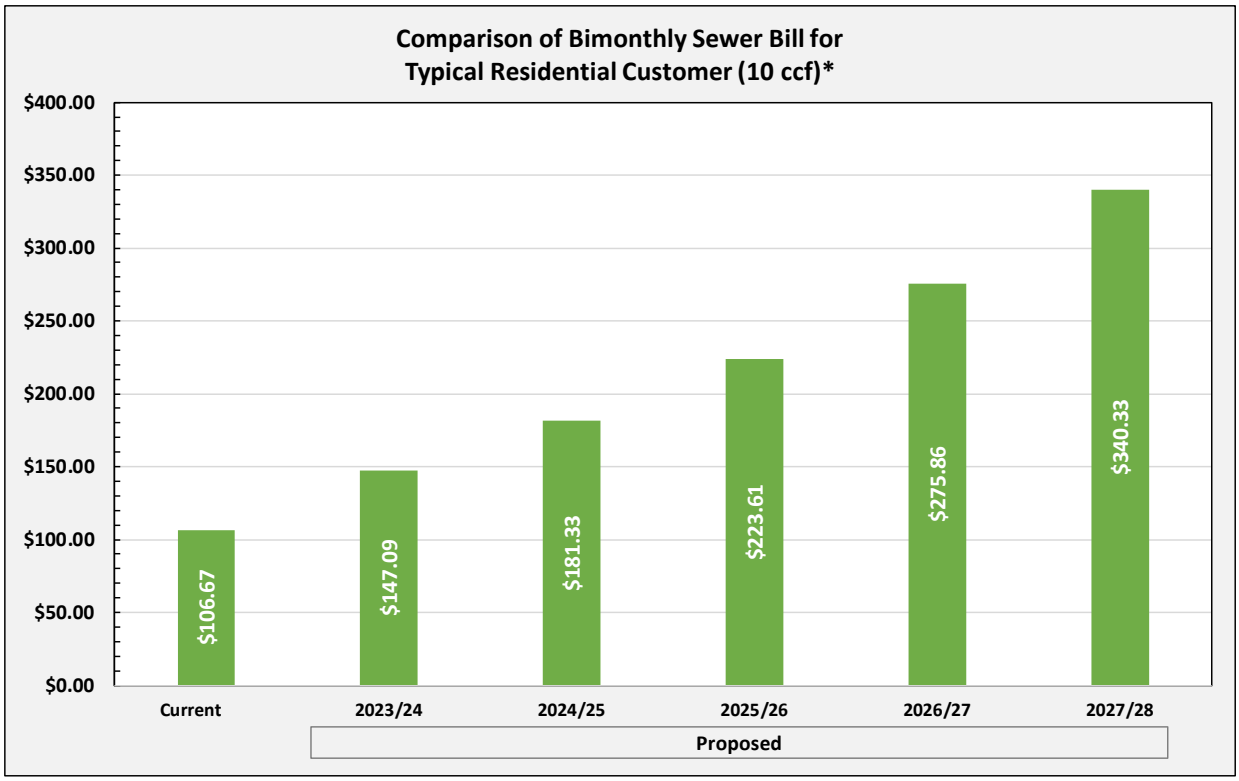
	Bimonthly Use (ccf)	Current Bill	Proposed				
			Jan 1, 2023	July 1, 2023	July 1, 2024	July 1, 2025	July 1, 2026
Medium Commercial - 30 ccf							
Fixed Charge		$68.87	$64.20	$79.86	$99.32	$123.54	$153.66
Variable Charge							
Tier 1: 0 - 8 ccf	8	$45.44	$333.47	$408.32	$500.40	$613.50	$752.06
Tier 2: Over 8 ccf	22	$214.28					
Subtotal Variable Charge	30	$259.72					
Total Bimonthly Sewer Bill		$328.59	$397.67	$488.18	$599.72	$737.04	$905.72
$ Change			*$69.08*	*$90.51*	*$111.54*	*$137.32*	*$168.68*
% Change			*21.0%*	*22.8%*	*22.8%*	*22.9%*	*22.9%*
Medium Commercial - 50 ccf							
Fixed Charge		$68.87	$64.20	$79.86	$99.32	$123.54	$153.66
Variable Charge							
Tier 1: 0 - 8 ccf	8	$45.44	$555.78	$680.53	$834.00	$1,022.50	$1,253.43
Tier 2: Over 8 ccf	42	$409.08					
Subtotal Variable Charge	50	$454.52					
Total Bimonthly Sewer Bill		$523.39	$619.98	$760.39	$933.32	$1,146.04	$1,407.09
$ Change			*$96.59*	*$140.41*	*$172.93*	*$212.72*	*$261.05*
% Change			*18.5%*	*22.6%*	*22.7%*	*22.8%*	*22.8%*

HEAVY COMMERCIAL

	Bimonthly Use (ccf)	Current Bill	Proposed				
			Jan 1, 2023	July 1, 2023	July 1, 2024	July 1, 2025	July 1, 2026
Heavy Commercial - 80 ccf							
		$68.87	$64.20	$79.86	$99.32	$123.54	$153.66
Variable Charge							
Tier 1: 0 - 8 ccf	8	$60.72	$1,056.75	$1,294.10	$1,586.33	$1,945.21	$2,384.85
Tier 2: Over 8 ccf	72	$848.51					
Subtotal Variable Charge	80	$909.23					
Total Bimonthly Sewer Bill		$978.10	$1,120.95	$1,373.96	$1,685.65	$2,068.75	$2,538.51
$ Change			*$142.85*	*$253.01*	*$311.69*	*$383.10*	*$469.77*
% Change			*14.6%*	*22.6%*	*22.7%*	*22.7%*	*22.7%*
Heavy Commercial - 100 ccf							
Fixed Charge		$68.87	$64.20	$79.86	$99.32	$123.54	$153.66
Variable Charge							
Tier 1: 0 - 8 ccf	8	$60.72	$1,320.94	$1,617.63	$1,982.91	$2,431.51	$2,981.07
Tier 2: Over 8 ccf	92	$1,084.91					
Subtotal Variable Charge	100	$1,145.63					
Total Bimonthly Sewer Bill		$1,214.50	$1,385.14	$1,697.49	$2,082.23	$2,555.05	$3,134.73
$ Change			*$170.64*	*$312.35*	*$384.75*	*$472.82*	*$579.68*
% Change			*14.1%*	*22.5%*	*22.7%*	*22.7%*	*22.7%*

Figure 9 shows the proposed bimonthly sewer bill for a typical residential customer using 10 ccf per 2-month period during each year of the five-year Proposition 218 period.

Figure 9: Comparison of Bimonthly Sewer Bill for Typical Residential Customer
City of Brisbane
Sewer Utility Rate Study 2022

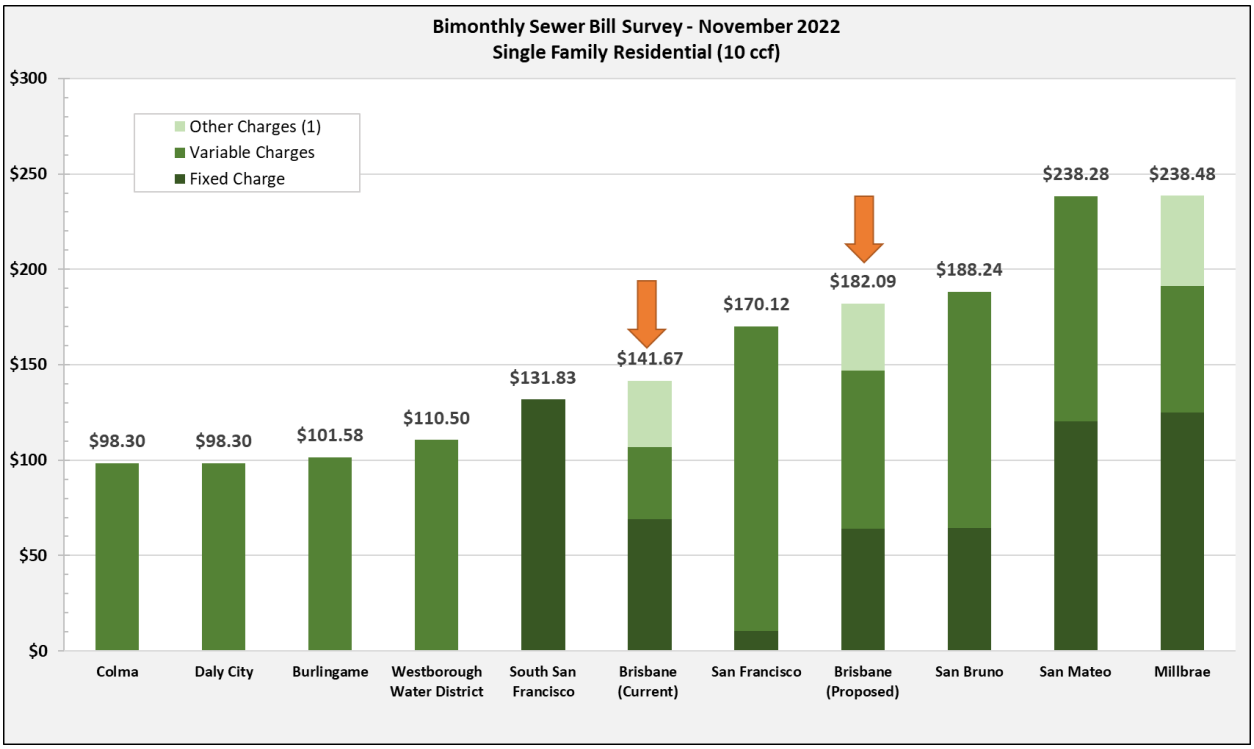


* Does not include Capital Charge

3.6.5 Regional Sewer Bill Survey

Figure 10 compares the City's current typical bimonthly residential sewer bill using 10 ccf over a 2-month period with those of surrounding agencies. The chart also includes the proposed 2023/24 bill which includes half of the Capital Projects Charge that is evenly split with the Water Bill ($70/2 = $35). It should be noted that many of the agencies shown on the chart will likely also be increasing their sewer rates over the next few years.

Figure 10: Bimonthly Sewer Bill Survey
City of Brisbane
Sewer Utility Rate Study 2022



3.7 Sewer Low Income Discount

To comply with Proposition 218's cost of service requirements, rate revenues from one group of customers cannot be used to subsidize the rates of another group. Instead, the City could utilize non-rate revenues, such as General Fund revenues, interest earnings, or delinquent penalties to fund a low income discount program. Moreover, to eliminate the administrative burden of the City developing its own low-income criteria, it is recommended that the City provide assistance to low income residents who meet the criteria of other local assistance programs such as PG&E's CARE program.

The low income discount program should be reviewed annually by the City to determine whether the Sewer Utility has adequate non-rate revenues to fund the program. Because non-sewer rate revenues will be used to pay for the discount, the amount of the low income discount is based on the discretion of the City.

Table 55 calculates a sample low income discount for sewer that is funded from a General Fund transfer. This transfer is estimated at $37,500 for the current year. The City estimates that approximately 400 customers or about 24.0% of all accounts could qualify for a discount based on the PG&E's CARE program requirements. Based on 400 customers, the table shows a bimonthly discount of $15.60 per customer. For an average residential customer (10 ccf bimonthly use), this equates to a 10.6% discount off the proposed bimonthly bill for July 1, 2023.

Table 55: Sewer Low Income Discount
City of Brisbane
Sewer Utility Rate Study 2022

Total Number of Residential Sewer Customers	1,669
Estimated Number of Customers Eligible for Discount	400
Total Est. Sewer Low Income Discount Revenue	$37,500
Annual Discount per Customer	$93.80
Bimonthly Discount per Customer	$15.60
Proposed Average Sewer Bill for July 1, 2023	$147.09
Proposed Average Sewer Bill with Discount for July 1, 2023	$131.49
% of Discount	*10.6%*

SECTION 4: UTILITY FUND 540 – COMBINED CASH FLOW

4.1 Combined Cash Flow Projection

Table 56 includes a combined Water Utility and Sewer Utility cash flow. The proposed rate increases will rectify the current operating deficit and restore financial stability to Utility Fund 540. With the proposed 9% annual water rate increases and 25% annual sewer rate increases, Fund 540 will meet debt service coverage by 2026/27. Fund 540 is projected to obtain positive net revenues by 2027/28 and will meet its fund reserve targets by 2028/29.

Table 56: Combined Water and Sewer Cash Flow Projection
City of Brisbane
Water and Sewer Utility Rate Study 2022

	Budget	Projected	Years 1 -5: Proposition 218					Years 6 - 10: Extended Projection				
	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33
BEGINNING FUND BALANCE	$7,656,890	$6,575,087	$4,573,056	$2,853,712	$1,513,556	$699,087	$569,406	$1,959,999	$3,202,412	$4,275,734	$5,147,377	$5,764,565
REVENUES												
Water Sales	3,000,000	3,000,000	3,270,000	3,564,000	3,885,000	4,235,000	4,616,000	4,985,000	5,384,000	5,815,000	6,280,000	6,782,000
Sewer Service Charges	2,000,000	2,000,000	2,500,000	3,125,000	3,906,000	4,883,000	6,104,000	6,348,000	6,602,000	6,866,000	7,141,000	7,427,000
Drought Reserve Charge	100,000	100,000	100,000	100,000	100,000	100,000	0	0	0	0	0	0
Capital Charge	365,000	535,000	705,000	705,000	705,000	705,000	1,005,000	1,005,000	1,005,000	1,005,000	1,005,000	1,005,000
Investment Earnings	50,000	51,000	52,000	53,000	54,000	55,000	56,000	57,000	58,000	59,000	60,000	61,000
Account Open/Reconnection Fees	3,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000
Late Payment Charges	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Sewer & Meter Connection Fees	23,000	23,000	25,000	27,000	29,000	31,000	34,000	36,000	39,000	42,000	45,000	48,000
Fire Service Charges	115,000	115,000	125,000	136,000	148,000	161,000	175,000	189,000	204,000	220,000	238,000	257,000
Altamar Meter Reading Fee	7,500	8,000	9,000	10,000	11,000	12,000	13,000	14,000	15,000	16,000	17,000	18,000
Transfers from Other Funds	75,000	75,000	75,000	75,000	75,000	75,000	75,000	75,000	75,000	75,000	75,000	75,000
Less: Low Income Rate Assistance	(75,000)	(75,000)	(75,000)	(75,000)	(75,000)	(75,000)	(75,000)	(75,000)	(75,000)	(75,000)	(75,000)	(75,000)
Grant Revenue	0	0	0	0	0	0	0	0	0	0	0	0
Total Revenues	5,673,500	5,846,000	6,800,000	7,734,000	8,852,000	10,196,000	12,017,000	12,648,000	13,321,000	14,037,000	14,800,000	15,612,000
EXPENSES												
Operating & Maintenance												
Salaries	949,583	987,000	1,027,000	1,068,000	1,110,000	1,154,000	1,200,000	1,248,000	1,298,000	1,350,000	1,404,000	1,460,000
Payroll Taxes	13,300	13,000	13,000	13,000	13,000	13,000	13,000	13,000	13,000	13,000	13,000	13,000
Benefits	523,326	544,000	566,000	589,000	613,000	637,000	663,000	689,000	717,000	745,000	775,000	806,000
Insurance	110,225	121,000	127,000	133,000	140,000	147,000	154,000	162,000	170,000	179,000	188,000	197,000
Supplies and Services	3,585,356	4,047,000	4,452,000	4,898,000	5,388,000	5,927,000	6,520,000	7,172,000	7,889,000	8,678,000	9,546,000	10,501,000
Admin Charges and Credit	936,825	969,000	1,003,000	1,038,000	1,075,000	1,113,000	1,152,000	1,192,000	1,233,000	1,276,000	1,321,000	1,367,000
Subtotal O&M	6,118,616	6,681,000	7,188,000	7,739,000	8,339,000	8,991,000	9,702,000	10,476,000	11,320,000	12,241,000	13,247,000	14,344,000
Net Operating Revenue	(445,116)	(835,000)	(388,000)	(5,000)	513,000	1,205,000	2,315,000	2,172,000	2,001,000	1,796,000	1,553,000	1,268,000
Debt Service												
2015 Utility Bonds	636,688	632,031	626,344	630,156	622,469	629,681	624,406	629,588	627,678	624,356	635,813	317,906
New Bonds (1)	0	0	0	0	0	0	300,000	300,000	300,000	300,000	300,000	300,000
Subtotal Debt Service	636,688	632,031	626,344	630,156	622,469	629,681	924,406	929,588	927,678	924,356	935,813	617,906
Capital Projects	0	535,000	705,000	705,000	705,000	705,000	0	0	0	0	0	0
Total Expenses	6,755,303	7,848,031	8,519,344	9,074,156	9,666,469	10,325,681	10,626,406	11,405,588	12,247,678	13,165,356	14,182,813	14,961,906
Total Net Revenues	(1,081,803)	(2,002,031)	(1,719,344)	(1,340,156)	(814,469)	(129,681)	1,390,594	1,242,413	1,073,322	871,644	617,188	650,094
ENDING FUND BALANCE	6,575,087	4,573,056	2,853,712	1,513,556	699,087	569,406	1,959,999	3,202,412	4,275,734	5,147,377	5,764,565	6,414,659
Reserve Funds												
Operating Reserve Target (25% of O&M)	1,529,700	1,670,300	1,797,000	1,934,800	2,084,800	2,247,800	2,425,500	2,619,000	2,830,000	3,060,300	3,311,800	3,586,000
Drought Reserve ($700,000)	447,499	547,499	647,499	747,499	847,499	947,499	947,499	947,499	947,499	947,499	947,499	947,499
Total Combined Reserves	1,977,199	2,217,799	2,444,499	2,682,299	2,932,299	3,195,299	3,372,999	3,566,499	3,777,499	4,007,799	4,259,299	4,533,499
Target Met?	*yes*	*yes*	*yes*	*no*	*no*	*no*	*no*	*yes*	*yes*	*yes*	*yes*	*yes*
Debt Service Coverage - 1.25x (2)	-0.70	-1.32	-0.62	-0.01	0.82	1.91	2.50	2.34	2.16	1.94	1.66	2.05
Target Met?	*no*	*no*	*no*	*no*	*no*	*yes*	*yes*	*yes*	*yes*	*yes*	*yes*	*yes*

1 - Total debt service for New Bonds is estimated at $300,000

2 - (Net Operating Revenue less Projected Grant Revenue) divided by (Total Debt Service)

4.2 Combined Sample Bill Impacts

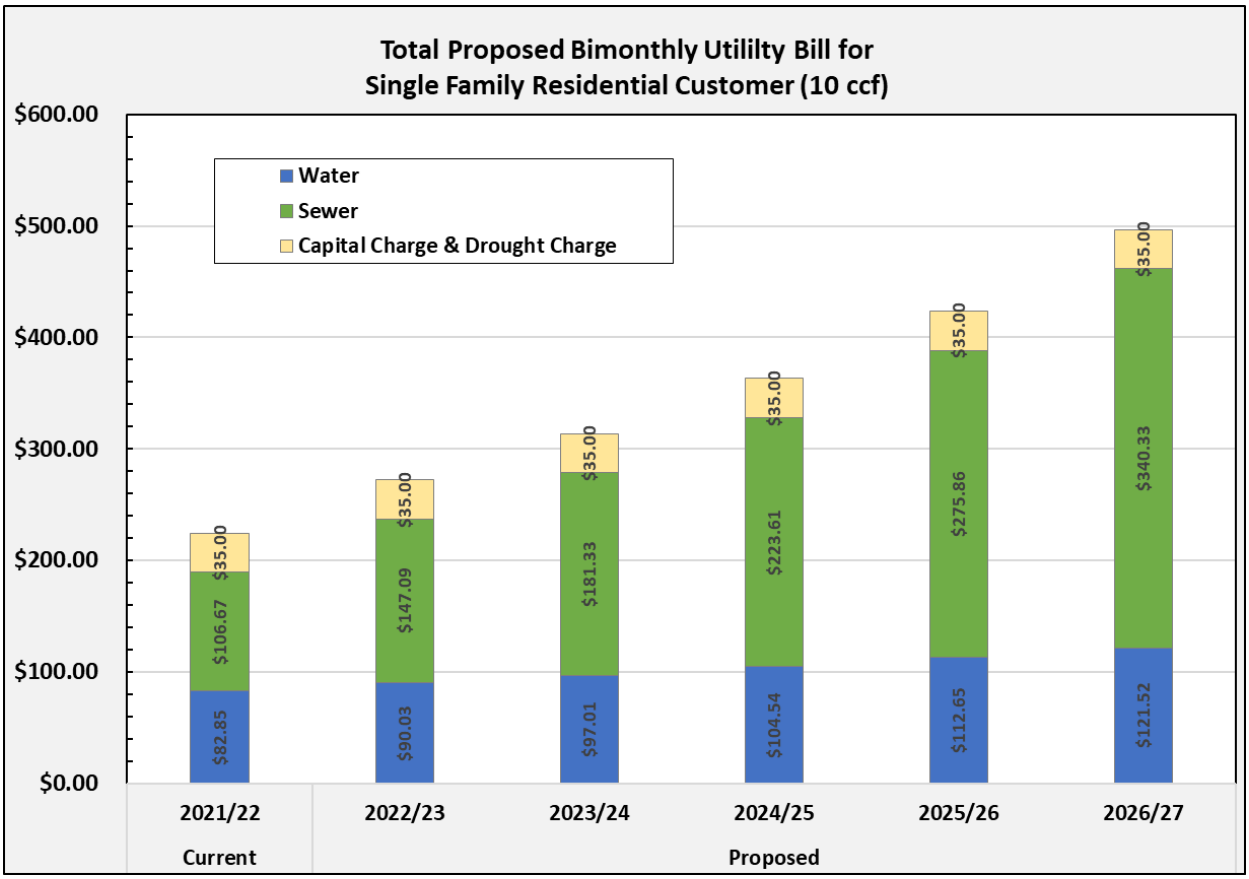
Table 57 includes a sample of residential bill impacts for a combined water and sewer bill based on the proposed rate increases. Combined, the average residential customer who uses 10 ccf bimonthly will see a $47.60 or 25.1% increase from their current bill. Actual bill impacts will vary based on customer class and consumption per billing period.

Table 57: Sample Residential Combined Bill Impacts
City of Brisbane
Water and Sewer Utility Rate Study 2022

	Bimonthly Use (ccf)	Current Bill	Proposed				
			2023/24	2024/25	2025/26	2026/27	2027/28
Residential: 5/8" meter, 4 ccf							
Water Bill	4	$37.47	$52.24	$56.45	$61.00	$65.92	$71.36
Sewer Bill	4	$80.11	$97.36	$120.45	$149.04	$184.47	$228.33
Total Utility Bill		$117.58	$149.60	$176.90	$210.03	$250.39	$299.69
$ Change			*$32.02*	*$27.30*	*$33.14*	*$40.35*	*$49.30*
% Change			*27.2%*	*18.2%*	*18.7%*	*19.2%*	*19.7%*
Residential: 5/8" meter, 10 ccf							
Water Bill	10	$82.85	$90.03	$97.01	$104.54	$112.65	$121.52
Sewer Bill	10	$106.67	$147.09	$181.33	$223.61	$275.86	$340.33
Total Utility Bill		$189.52	$237.12	$278.34	$328.15	$388.52	$461.85
$ Change			*$47.60*	*$41.22*	*$49.81*	*$60.37*	*$73.33*
% Change			*25.1%*	*17.4%*	*17.9%*	*18.4%*	*18.9%*
Residential: 5/8" meter, 20 ccf							
Water Bill	20	$193.35	$216.53	$231.68	$247.92	$265.30	$284.01
Sewer Bill	20	$183.27	$229.98	$282.80	$347.90	$428.18	$527.00
Total Utility Bill		$376.62	$446.51	$514.47	$595.81	$693.49	$811.01
$ Change			*$69.89*	*$67.97*	*$81.34*	*$97.68*	*$117.52*
% Change			*18.6%*	*15.2%*	*15.8%*	*16.4%*	*16.9%*

Figure 11 below shows the total bimonthly utility bill for the next five years, including Water, Sewer, Capital Project, and Drought Charges for a typical residential customer using 10 ccf per 2-month billing period. The current combined bill is $224.52. With the proposed rate increases, the combined bill is projected to increase to $496.85 by 2026/27.

Figure 11: Bimonthly Combined Utility Bill
City of Brisbane
Water Utility Rate Study 2022



APPENDIX A:

SEWER TABLES

Appendix 1: Sewer Variable Unit Rate Derivation

2023/24

Allocation to Variable Charges			
FY2023/24 Revenue Requirement (1)	$2,500,000		
Variable Charge Recovery %	70%		
Variable Charge Recovery $	$1,750,000		
Allocation to Flow, BOD, SS	Flow	BOD	SS
Cost Allocation %	50%	25%	25%
Cost Allocation $	$875,000	$438,000	$438,000
Total Annual Loadings (2)	181,000	261,000	261,000
Units	ccf	lbs	lbs
Unit Cost	$4.83 per ccf	$1.68 per lb	$1.68 per lb

1 - Table 34, Line 10
2 - Table 38
3 - Table 39

2024/25

Allocation to Variable Charges			
FY2024/25 Revenue Requirement (1)	$3,125,000		
Variable Charge Recovery %	70%		
Variable Charge Recovery $	$2,187,500		
Allocation to Flow, BOD, SS	Flow	BOD	SS
Cost Allocation %	50%	25%	25%
Cost Allocation $	$1,094,000	$547,000	$547,000
Total Annual Loadings (2)	185,000	266,000	266,000
Units	ccf	lbs	lbs
Unit Cost	$5.91 per ccf	$2.06 per lb	$2.06 per lb

2025/26

Allocation to Variable Charges			
FY2025/26 Revenue Requirement (1)	$3,906,000		
Variable Charge Recovery %	70%		
Variable Charge Recovery $	$2,734,200		
Allocation to Flow, BOD, SS	Flow	BOD	SS
Cost Allocation %	50%	25%	25%
Cost Allocation $	$1,367,000	$684,000	$684,000
Total Annual Loadings (2)	189,000	271,000	271,000
Units	ccf	lbs	lbs
Unit Cost	$7.23 per ccf	$2.52 per lb	$2.52 per lb

2026/27

Allocation to Variable Charges			
FY2026/27 Revenue Requirement (1)	$4,883,000		
Variable Charge Recovery %	70%		
Variable Charge Recovery $	$3,418,100		
Allocation to Flow, BOD, SS	Flow	BOD	SS
Cost Allocation %	50%	25%	25%
Cost Allocation $	$1,709,000	$855,000	$855,000
Total Annual Loadings (2)	193,000	276,000	276,000
Units	ccf	lbs	lbs
Unit Cost	$8.85 per ccf	$3.10 per lb	$3.10 per lb

2027/28

Allocation to Variable Charges			
FY2027/28 Revenue Requirement (1)	$6,104,000		
Variable Charge Recovery %	70%		
Variable Charge Recovery $	$4,272,800		
Allocation to Flow, BOD, SS	Flow	BOD	SS
Cost Allocation %	50%	25%	25%
Cost Allocation $	$2,136,000	$1,068,000	$1,068,000
Total Annual Loadings (2)	197,000	281,000	281,000
Units	ccf	lbs	lbs
Unit Cost	$10.84 per ccf	$3.80 per lb	$3.80 per lb

Appendix 2: Volume Rate by Customer Class

2023/24

Customer Class	Wastewater Strength (mg/l) BOD	SS	Unit Rates ($ per ccf or lb) (1) Flow $4.83	BOD $1.68	SS $1.68	Total Variable Rate per ccf
Residential	165	165	$4.83	$1.73	$1.73	$8.29
Standard Commercial	200	200	$4.83	$2.09	$2.09	$9.02
Medium Commercial	300	300	$4.83	$3.14	$3.14	$11.12
Heavy Commercial	400	400	$4.83	$4.19	$4.19	$13.21

2024/25

Customer Class	Wastewater Strength (mg/l) BOD	SS	Unit Rates ($ per ccf or lb) Flow $5.91	BOD $2.06	SS $2.06	Total Variable Rate per ccf
Residential	165	165	$5.91	$2.12	$2.12	$10.15
Standard Commercial	200	200	$5.91	$2.57	$2.57	$11.04
Medium Commercial	300	300	$5.91	$3.85	$3.85	$13.61
Heavy Commercial	400	400	$5.91	$5.13	$5.13	$16.18

2025/26

Customer Class	Wastewater Strength (mg/l) BOD	SS	Unit Rates ($ per ccf or lb) Flow $7.23	BOD $2.52	SS $2.52	Total Variable Rate per ccf
Residential	165	165	$7.23	$2.60	$2.60	$12.43
Standard Commercial	200	200	$7.23	$3.15	$3.15	$13.53
Medium Commercial	300	300	$7.23	$4.72	$4.72	$16.68
Heavy Commercial	400	400	$7.23	$6.30	$6.30	$19.83

2026/27

Customer Class	Wastewater Strength (mg/l) BOD	SS	Unit Rates ($ per ccf or lb) Flow $8.85	BOD $3.10	SS $3.10	Total Variable Rate per ccf
Residential	165	165	$8.85	$3.19	$3.19	$15.23
Standard Commercial	200	200	$8.85	$3.87	$3.87	$16.59
Medium Commercial	300	300	$8.85	$5.80	$5.80	$20.45
Heavy Commercial	400	400	$8.85	$7.73	$7.73	$24.32

2027/28

Customer Class	Wastewater Strength (mg/l) BOD	SS	Unit Rates ($ per ccf or lb) Flow $10.84	BOD $3.80	SS $3.80	Total Variable Rate per ccf
Residential	165	165	$10.84	$3.91	$3.91	$18.67
Standard Commercial	200	200	$10.84	$4.74	$4.74	$20.33
Medium Commercial	300	300	$10.84	$7.11	$7.11	$25.07
Heavy Commercial	400	400	$10.84	$9.48	$9.48	$29.81

1 - Table 12

City of Brisbane's Frequently Asked Questions (FAQs) for the Water and Wastewater Rate Study

1. Why is the City of Brisbane (City) proposing to adjust the water and sewer rates?

The City's water and sewer rates are proposed to be adjusted to cover the increasing cost of service, simplify the existing rate structures, and better promote equity among customers. Additionally, rate increases are needed so that the City's Utility Fund can retain a positive credit rating by servicing existing debt financing and putting the City in a position to consider financing new capital projects. The City also delayed implementing any rate increases during the COVID-19 pandemic.

The proposed water rate increases are needed to pay for the cost of water purchases, operational costs, and ongoing maintenance and repairs of aging water mains and other infrastructure (see #11 below regarding the Capital Projects Charge). The last water rate study was conducted in 2001, and the last water operational rate increase went into effect in 2012. Since then, the cost to purchase water from the SFPUC has increased by 94%. Water purchases account for over 50% of water utility operating costs, and the City has no control over these costs.

The proposed sewer rate increases are needed to cover sewage treatment and disposal costs passed through from the City of San Francisco, operational costs, and ongoing maintenance and repairs of the collection system and sewer mains (see #11 below regarding the Capital Projects Charge). Current sewer rate revenues are insufficient to fund the costs of operating the sewer system. The last sewer rate study was conducted in 2001, and the last sewer operational rate increase went into effect in 2012. Since then, treatment charges from the City of San Francisco have doubled. Roughly 58% of total sewer operating expenses is comprised of treatment charges, and the City has no control over these costs.

2. What is Proposition 218 and what are the procedures under Proposition 218?

Adopted by the voters in November 1996, Proposition 218 added Article XIIID to the State Constitution and governs the process for property-related fee increases. Proposition 218 gives taxpayers the right to vote on all local taxes and requires taxpayer approval of property-related assessments and fees, including water, sewer, and solid waste rates. Under Section 6 of Article XIIID, a notice must be sent to all property owners and customers at least *45 days* before a public hearing is held to consider proposed rate increases. Under Proposition 218, persons objecting to the rate increase must file a protest with the City. Protests concerning the rate increase must be in writing, and may be delivered in person, or sent by mail, to the City of Brisbane City Clerk, 50 Park Place, Brisbane, CA 94005. In person protests may also be delivered at the public hearing on April 6, 2023 but all written protests, whether delivered in person or sent by mail, must be received by the City before the close of the public hearing on April 6. At the public hearing, an oral protest, without an accompanying written protest, will not count as a valid protest. No protests will

be accepted if sent via email, text, fax, or other electronic means. If there is no majority protest, the proposed rates may be adopted. There may be only one written protest for each parcel affected by the rate increase.

3. What is a water/sewer utility rate study?

A rate study is a financial review that projects future revenues and expenses typically over a 5 or 10-year period. The objective of a rate study is to determine whether revenues are sufficient to cover a utility's operating, maintenance, and capital expenses, as well as to pay for debt service and reserve funds. Rate studies provide transparency into what the City can expect in future years to ensure that each utility has the financial resources to meet its cost of providing service. Rate studies are typically performed every 3 to 5 years.

4. What costs are recovered from the water and sewer rates?

Water and sewer rates are the primary source of revenue used to pay for the operating expenses of each system. Operating expenses include, but are not limited to, staffing, administration, utilities, equipment, wholesale water purchases, sewer treatment costs, and the repair and maintenance of the aging infrastructure. The City is also responsible for costs related to long-term financial management, including maintaining adequate fund reserves. The City's Utility operating reserve target is to maintain a reserve no less than 25% of annual operating costs.

5. Can revenues from water and sewer rates be used for other projects?

Revenues from water rates can only be used for water expenses, and similarly, revenues from sewer rates can only be used to pay for sewer expenses. The City does not profit from rates paid by customers and can only charge rates equivalent to the cost of providing services. The water and sewer utilities are enterprise funds which means they are self-supported from water and sewer rates and charges. Enterprise funds are separate from the General Fund and do not receive any general tax revenue.

6. Why are the water and sewer rates being increased now?

The operational water and sewer rates have not increased in over 10 years. In the past, the City relied on impact fees paid by new development to supplement rate revenues. However, growth has slowed down which has resulted in a decrease in water and sewer impact fee revenues.

The City began the rate study process in 2021, but delayed a decision on implementing any rate increases during the COVID pandemic. The Utility Fund is now facing operating deficits as water and sewer expenses continue to increase. Since 2012, the cost for the City to purchase water has increased by 94%. Water purchases account for over 50% of water utility operating costs, and the City has no control over these costs. Moreover, the cost for sewer treatment has more than doubled since 2013. Roughly 58% of total sewer operating expenses is comprised of treatment charges, and the City has no control over these costs.

7. Why is the water rate structure changing?

The current water rate structure is comprised of two components: 1) a Fixed Charge (Water Service) and 2) a Consumption Charge (Water Use) based on metered water consumption. The current water rate structure was developed in 2000 and levies different rates based on meter size and customer class. After a review of the water system costs, the City is proposing to simplify the water rate structure and better promote equity among customers by implementing a single water rate structure that applies to all customer classes (residential, commercial, and irrigation).

The proposed water rate structure includes a single Fixed Charge rate schedule for all customers. For the Consumption Charges, all customers will be charged according to a two-tiered rate structure. In addition, all customers will receive one unit (1 ccf) of water with their Fixed Charge.

8. Why is the sewer rate structure changing?

The City's current sewer rate structure was developed in 2000 and includes two components: – 1) a Flat Charge, assigned to cover fixed costs associated with maintaining the ability or readiness to serve each connection, and 2) a Variable Charge. The Variable Charge is based on "flow strength." For example, sewage flow strength from a residential customer differs from the flow strength of a commercial customer. Because sewer flow is not metered, water usage is used as an estimate for sewer flow. For residential customers, sewer flow is approximated using winter water consumption for the four-month period between October and January when water usage is at the lowest -- the calculated winter average goes into effect the April after the previous winter. The Variable Charge for commercial customers is billed based on actual monthly consumption.

The proposed sewer rate structure maintains the Flat Charge but eliminates the current tiered Variable Charges. (Tiered rates are typically utilized for water rates to encourage conservation and are less relevant to sewer flow.) Because the proposed Variable Charge will be a single tier that varies based on flow strength, the modification better aligns the sewer rate structure with the cost of providing service for each customer class.

9. When would the proposed rate adjustments take effect?

If approved, the first rate change would take effect on June 15, 2023, with subsequent increases each June 15 through 2027. The June 15th start date will be reflected on the bill issued in late August, with a due date in October. If the rate plan is approved, the City will review its rates and revenues each year. The City can set rates at or below the maximum adopted in the rate plan. If the maximum rate is not needed due to higher than expected revenues or lower than expected costs, the City Council can implement a lower rate than described in the rate plan.

10. What if rate increases are not approved?

If rates are not increased, the City will not be able to afford to provide the same level of reliable water and sewer services. The Utility Fund is anticipated to operate at a deficit this fiscal year, meaning that it will need to use reserves to cover costs. Additionally, it will not have sufficient operating revenues to meet its debt coverage requirement. In 2015, the City issued $8.3 million in utility revenue bonds to finance capital projects. The bond documents require the City to maintain sufficient annual net revenues in its Utility Fund to be at least 1.25 times the annual debt service. The City believes the proposed new rate structure will satisfy the debt service requirement by 2024/2025 and the operating reserve target by 2027/2028. Failure to meet debt service coverage may hinder the City's ability to qualify for future bond funding.

11. What is the Capital Projects Charge?

The Capital Projects Charge is a separate charge to pay for capital projects by repaying bonds that are funding the projects. Because we have not increased rates, we have not been able to issue bonds for current necessary improvements. The bond issuance schedule will be delayed until our annual revenues can cover corresponding annual operating expenses.

In April of 2014, the City Council approved the first Capital Project Charge to pay for infrastructure projects for the water and sewer systems. The plan was to create a 20-year capital project plan paid for by the Capital Project Charge in which the charge will be increased every 5 years between 2015 and 2035. In October of 2022, the City Council voted to implement the second of four Capital Projects Charges to pay for $10 million in needed improvements to the City's aging water and wastewater systems. Projects include an Advanced Metering Infrastructure (AMI) system, the Glen Park Pump Station upgrade, and ongoing water and sewer pipeline replacements.

The Capital Project Charge is levied according to a tiered rate system based on springtime usage (mid-February through mid-June) to ensure that lower water users pay less than higher users. Total Capital Project Charge revenue is evenly split between the water and sewer funds. The Capital Project Charge is distinct from water and sewer rates and was not analyzed in the 2022 *Water and Sewer Utility Rate Study.*

12. What is the Drought Contingency Charge?

Approved by the City in 2018, the Drought Contingency Charge is a separate charge to fund a drought reserve fund with the objective of avoiding having to raise rates in times of severe water shortages. In turn, the drought reserve would be used to cover any lost revenues. During droughts, the City experiences a decrease in rate revenues related to consumption due to customers conserving water. Yet, the costs to maintain the water system remain the same and can even increase. The City anticipates that the Drought Reserve will be fully funded by 2025 if a drought does not occur. The Drought Contingency Charge is distinct from water and sewer rates and was not analyzed in the 2022 *Water and Sewer Utility Rate Study.*

13. Does the City have a low-income discount?

The City offers a Low Income Rate Assistance program, or LIRA, for utility bill customers who are enrolled in PG&E's Care Discount Program. The City is proposing to increase the low income discount so that qualifying customers will receive a 25% discount off their total monthly utility bill. Additional information is provided on the City's website at brisbaneca.org/utility-billing or by calling (415) 508-2154.

14. Does the State offer any discounts for utility bill customers?

Yes! The Department of Community Services and Development (CSD) just announced on March 14, 2023 that utilities participating in the Low Income Household Water Assistance Program (LIHWAP) -- which the City of Brisbane does -- have raised the maximum benefit for LIHWAP Arrearage Assistance from $2,000 to $15,000. Local Service Providers (LSPs) can now approve applications for assistance with past-due bills that exceed $2,000. Learn more at csd.ca.gov/waterbill

File Attachments for Item:

H. Consider Introduction of an Ordinance Conforming Sewer Service and Water Service Charges to Charges Approved by City Council on April 20, 2023

CITY COUNCIL AGENDA REPORT

Meeting Date: April 20, 2023

From: Carolina Yuen, Finance Director

Subject: Ordinance Conforming Sewer Service and Water Service Charges to Charges Approved by City Council on April 20, 2023

Community Goal/Result
Safe Community
Fiscally Prudent

Recommendation

Introduce Ordinance ____ conforming provisions in the Brisbane Municipal Code to the sewer and water charges City Council has adopted by resolution on April 20, 2023 including (a) annual increase of 9% through 2026/2027 in the water fixed charge, (b) annual increase of 7% annually through 2027/2028 in the water usage rate, and (c) 25% annual increase through 2027/2028 in sewer charges, setting the discount rate for the City's Low Income Rate Assistance (LIRA) Plan to 25% for all services, and finding that no further environmental review is required because increasing water and sewer rates is not project under the California Environmental Quality Act (CEQA). CEQA Guidelines, Section 15378 (b) (2) and (b)(4).

Background

At its meeting on April 20, 2023, City Council, following a public hearing, adopted a resolution establishing revised sewer service and water service charges.

The Brisbane Municipal Code, at Sections 13.08.020 and 13.12.020, set forth, respectively, the City's sewer service and water service charges. Those sections were last amended in 2011 and do not reflect the actual service charges that were in effect either before City Council action on April 20 or after that action. The Code does provide, however, rates beyond those set forth in the Code may be increased in accordance with the procedures for increasing property related charges and City Council has increased such charges in compliance with law. Nevertheless, the Municipal Code should be amended to reflect the revised charges as approved by the Council.

Discussion

This Ordinance will conform provisions in the Municipal Code concerning sewer service and water service charges to the charges Council adopted on April20, 2023, including the 25% discount rate for those households participating in the Low Income Rate Assistance Program.

Significantly, the Ordinance also provides expressly that the City Council may, by resolution, reduce or cancel the rate increase for any particular year without jeopardizing the approved rate increase for the following year or years. See subsection D of Section 13.08.020 and subsection C of Section 13.12.020. For example, for residential customers, beginning June 15, 2025, the sewer service flat charge will be $99.32 (from $79.86) and the variable charge will be $12.43 (from $10.15). Council could elect not to impose those increases for June 2025 because, for example, a recession. Come June 2026, however, the June 2026 rates--$123.54 for the flat charge and $15.23 for the variable charge--would be effective, notwithstanding that the increased June 2025 rates had not been imposed.

The charges in the Ordinance, if adopted, will not go into effect until June 15, 2023, consistent with the effective date of the charges in the resolution.

The only other substantive change concerns appeals of sewer service or water service charges, for example if a customer believes such charges have been incorrectly calculated or the charges are not applicable to the premises for which the customer has been charged. Currently the initial appeal is to the City Manager and any appeal of the Manager's decision is to the City Council. Staff is recommending that the initial appeal be to the finance director and any appeal of the finance director's decision be to the City Manager, whose decision is final. This is consistent with how other, non-land use appeals are being handled, for example, appeals concerning tree removal permits. Moreover, these appeals rarely occur, are generally technical in nature, and should be resolved/handled at the staff level.

Fiscal Impact

The following samples of billings reflect the expected cost to the customers based on usage:

Sample Usage	Current Bill	Proposed Rates - effective June 15, 2023
4 units	Water Charge - $22.67 Water Usage – $14.80 Sewer Charge - $80.11 Drought Reserve -$2.32	Water Charge - $33.35 Water Usage - $18.89 Sewer Charge -$97.36 Drought Reserve -$2.32
10 units	Water Charge - $22.67 Water Usage - $60.18 Sewer Charge - $106.67 Drought Reserve $2.32	Water Charge-$33.35 Water Usage - $56.68 Sewer Charge - $147.09 Drought Reserve -$2.32

Environmental Review

Introduction and adoption of this Ordinance concerning conforming water and sewer rates is not subject to further environmental review under the California Environmental Quality Act

(CEQA) because it is a governmental fiscal activity that does not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment and/or it is general policy and procedure activity and hence, under either situation, it is not a "project". CEQA Guidelines, Section 15378 (b) (2) and (4).

Carolina Yuen

Carolina Yuen, Finance Director

Clay Holstine, City Manager

Attachment: Ordinance _____

ORDINANCE NO. ____

AN ORDINANCE OF THE CITY OF BRISBANE AMENDING SECTIONS 13.08.020 AND 13.12.020 CONCERING SEWER SERVICE AND WATER SERVICE CHARGES

THE CITY COUNCIL OF THE CITY OF BRISBANE DOES ORDAIN AS FOLLOWS:

Section 1. Section 13.08.020 of the Brisbane Municipal Code is amended as follows:

"13.08.020 Sewer service charges established.

The amounts to be charged as sewer service charges for the use of the city sewer facilities are established and shall be effective as follows:

(Subsection A, no change.)

B. Calculation of Sewer Service Charges. Sewer service charges shall be based on a flat charge and a volume of wastewater discharged by individual premises. A flat charge is a charge to cover fixed costs associated with maintaining the ability or readiness to serve each connection. Volume shall be determined by the quantity of water consumption shown by the water meter serving the premises, subject, however, to the following exceptions:

(Paragraphs 1, 2, and 3, no change.)

C. Amount of charges. Sewer service charges shall be billed bimonthly. From and after June 15, 2023, the sewer service charges for each class of property shall be computed on each one hundred (100) cubic feet (ccf) of water consumption per user, as follows:

Rate Effective Date:	SEWER RATES				
	June 15, 2023	June 15, 2024	June 15, 2025	June 15, 2026	June 15, 2027
RESIDENTIAL (1)					
Flat Charge	$64.20	$79.86	$99.32	$123.54	$153.66
Variable Charge (per ccf) (2)	$8.29	$10.15	$12.43	$15.23	$18.67
COMMERCIAL					
Standard					
Flat Charge	$64.20	$79.86	$99.32	$123.54	$153.66
Variable Charge (per ccf)	$9.02	$11.04	$13.53	$16.59	$20.33
Medium					
Flat Charge	$64.20	$79.86	$99.32	$123.54	$153.66
Variable Charge (per ccf)	$11.12	$13.61	$16.68	$20.45	$25.07
Heavy					
Flat Charge	$64.20	$79.86	$99.32	$123.54	$153.66
Variable Charge (per ccf)	$13.21	$16.18	$19.83	$24.32	$29.81

(1) Residential bill is based on winter consumption (Oct, Nov, Dec & Jan)

(2) 1 ccf = 1 hundred cubic feet = 748 gallons

D. Rate Adjustments. For any individual year, the City Council may, by resolution, reduce or cancel the rate increases set forth in the tables in subsection C. Notwithstanding that rates may be

reduced or cancelled in any one year, the rates set forth in the tables in subsection C for the following year will go into effect unless the City Council by resolution also reduces or cancels such rate increases.

(Subsection E, no change.)

F. Low Income Rate Assistance. A low income rate assistance (LIRA) program is established for residential households who apply and qualify for a twenty five percent (25%) decrease in the sewer service charges on the following basis:

(Paragraphs 1 and 2, no change.)

G. Appeal of Sewer Service Charges

(Paragraph 1, no change.)

2. The finance director or designee is empowered to provide relief if the sewer service charge has been calculated using an erroneous use classification for the property or if substantial evidence is provided demonstrating that the actual winter average or the previous winter average water consumption (for residential customers) or the actual water consumption (for commercial customers) during the billing period covered by the disputed charge is less than the volume used for calculation of such charge.

3. The service customer may appeal the finance director's decision to the city manager by filing a notice of appeal with the city clerk within ten (10) days after the date on which the finance director's decision was rendered. The city manager's decision is final.

Section 2. Section 13.12.020 of the Brisbane Municipal Code is hereby amended as follows:

"13.12.020 Water service charges established.

The amounts to be charged as water service charges for the consumption of water provided by the City shall be as follows:

(Subsection A, no change.)

B. Amount of Water Service Charges. The bimonthly water service charges shall be as follows:

Rate Effective Date:	WATER RATES				
	June 15, 2023	June 15, 2024	June 15, 2025	June 15, 2026	June 15, 2027
FIXED CHARGES					
Meter Size					
5/8"	$33.35	$36.17	$39.23	$42.55	$46.28
3/4"	$33.35	$36.17	$39.23	$42.55	$46.28
1"	$41.90	$45.45	$49.29	$53.46	$58.12
1-1/2"	$63.29	$68.65	$74.44	$80.75	$87.72
2"	$88.95	$96.49	$104.62	$113.49	$123.24
3"	$157.37	$170.73	$185.10	$200.79	$217.96
4"	$234.35	$254.25	$275.64	$299.01	$324.52
6"	$448.19	$486.25	$527.14	$571.85	$620.52
CONSUMPTION CHARGES (per ccf) (1)					
All Usage over 1 ccf					
Tier 1: 1- 20 ccf	$6.30	$6.76	$7.26	$7.79	$8.36
Tier 2: Over 20 ccf	$12.65	$13.47	$14.34	$15.27	$16.25

(1) 1 ccf = 1 hundred cubic feet = 748 gallons

C. Rate Adjustments. For any individual year, the City Council may, by resolution, reduce or cancel the rate increases set forth in the tables in subsection B. Notwithstanding that rates may be reduced or cancelled in any one year, the rates set forth in the tables in subsection B for the following year will go into effect unless the City Council by resolution also reduced or cancels such rate increase.

(Subsection D, no change.)

E. Low Income Rate Assistance. A low income rate assistance (LIRA) program is established for residential households who apply and qualify for a twenty five percent (25%) decrease in the sewer service charges on the following basis:

(Paragraphs 1 and 2, no change.)

F. Appeal of Water Service Charges

(Paragraph 1, no change.)

2. The finance director or designee is empowered to provide relief is the water service charge has been calculated using an erroneous use classification for the property or if substantial evidence is provided demonstrating that the actual winter average or the previous winter average water consumption (for residential customers) or the actual water consumption (for commercial customers) during the billing period covered by the disputed charge is less than the volume used for calculation of such charge.

3. The service customer may appeal the finance director's decision to the city manager by filing a notice of appeal with the city clerk within ten (10) days after the date on which the finance director's decision was rendered. The decision of the city manager is final.

Section 3: CEQA Determination

Introduction and adoption of this Ordinance is not subject to further review under the California Environmental Quality Act (CEQA) because it is a continuing administrative activity of the city, namely general policy and procedure making and/or it is a governmental fiscal activity that does not involve any commitment to any specific project that may result in a potentially significant physical impact on the environment and therefore in either case it is not a "project" under CEQA. CEQA Guideline, Section 15378 (b) (2) and (b) (4).

Section 4: Effective Date.

This Ordinance shall be effective June 15, 2023, more than thirty days after its final passage and adoption.

* * * *

The above and foregoing Ordinance was regularly introduced and after the waiting time required by law, was thereafter passed and adopted at a regular meeting of the City Council of the City of Brisbane held on the _____ day of _____, 2023, by the following vote:

AYES:
NOES:
ABSENT:
ABSTAIN

Madison Davis, Mayor

Attest:

Ingrid Padilla, City Clerk

Approved as to form:

Thomas R. McMorrow, City Attorney

File Attachments for Item:

J. Countywide Assignments and Subcommittee Reports

- Fiscal & Administrative Polices Subcommittee Monday 4/3 Cunningham, O'Connell

- Affordable Housing Subcommittee Monday 4/10 Davis, Lentz

CITY of BRISBANE

Subcommittee Update

From March 31st, 2023 to April 14th, 2023

Fiscal & Administrative Polices Subcommittee Monday 4/3 Cunningham, O'Connell

The subcommittee discussed whether the City should enter into a financing arrangement to cover costs to improve the City Hall Annex. City staff and the City's Financial Advisor have started to explore financing options considering municipal bond rates are declining over the past month after sharp increases in 2022. The amount currently being sought is $5.5 million to cover the estimated design and construction costs to improve the property, plus additional $500,000 to cover moving, furnishing, and any unexpected costs. With current bond rates, the additional annual debt service payment is expected to range from $287,500 to $435,000 over the next 20 years.

Councilmembers asked about whether pulling some of the costs from the general fund to offset the bond amount would have any cost savings. They would like to see more analysis on the different bond amounts and any potential savings.

Affordable Housing Subcommittee Monday 4/10 Davis, Lentz

The subcommittee received a project update on the City's Affordable Housing Strategic Plan. They reviewed funding priorities for the current fund balance (approximately $4 million) and future funds, and options for new revenue sources. Staff is currently reviewing the draft AHSP and anticipates releasing it in late April for public review, followed by a review by this subcommittee in May and subsequent review and adoption by the full Council in June. This aligns with the timeline in the adopted 2023-2031 Housing Element for adopting the AHSP and implementing several Housing Element policies. The AHSP will contain internal references and citations to relevant Housing Element policies to clearly show how relevant Housing Element policies will be implemented. The Commercial nexus fee is currently being studied by ECONWest to provide the required nexus and feasibility study updates to support adoption of a commercial linkage fee by this summer ahead of anticipated commercial projects. That work is expected to be completed by June and the Council can expect to see an implementing ordinance or resolution adopting the recommended fee by fall of this year.

The subcommittee also discussed Visitacion Gardens senior housing ground lease renewal with Bridge Housing. BRIDGE currently owns the building and improvements and manages the facility under a 30-year ground lease ("lease") that expires in 2028, aligned with the term of the agency and bond proceeds loan repayment. The lease establishes the tenant household income levels, maximum rent calculations, and local preferences to determine tenant selection. If the lease is not extended, ownership of the building and improvements on the site revert to the Housing Authority in 2028.

The lease requires BRIDGE to make annual rent payments out of "Surplus Cash," which is defined in the lease generally as operating income from the development minus reasonable operating expenses. The

City anticipated that surplus cash would gradually decline over time and projected $0 rent payments in years 26-30 of the lease. Because of this, it is unknown whether Bridge is interested in continuing the partnership with the City. Staff will begin conversations with them regarding the mutual interest in renewing the ground lease.

There has been some concern from residents about how the waitlist is handled by Bridge. Staff will discuss with Bridge about these community identified issues. One concern is how the waitlist is managed. In the lease, household income levels that are served by the development include:

- 30% area median income (AMI) or less: Two units
- 40% AMI or less: Two units
- 80% AMI or less: Two units
- 120% AMI or less: Eight units

As there are certain criteria needing to be met and with only so many units offered, the time on the waiting list is long.

The subcommittee wanted clarification from staff and Bridge Housing on a few items. They asked for an audit on current resident ages, average length of time in a unit, how long did the current residents need to wait to get in, and how does it work if someone on the waitlist changes what unit they qualify for financially. They also requested that the City receive an annual financial update with the new lease.

Staff will update this subcommittee and the full Council as those talks evolve and key discussion points are identified.

And finally, the subcommittee discussed potential locations for any future affordable housing units. The site at 70 Old County Road may be evaluated as a potential affordable housing site as community engagement efforts move forward, depending on community feedback and discussion by the full Council. The senior housing project behind the 23 Club was discussed and they asked staff to reach out to the owners in the near future about any potential opportunities. And the old library site is a bit restricted on size. They also talked about other ways to utilize the housing funds ($4M): restart the 1st time homebuyers program, subsidize fixed income seniors for XX years, etc.

Upcoming Subcommittees:

Public Art Advisory Committee **Monday 4/17 4:30pm Cunningham, Davis**
Review Draft Public Art Master Plan RFP