



CITY COUNCIL AGENDA

806-09

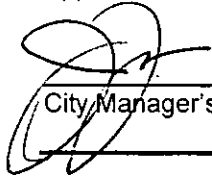
MEETING DATE: JULY 3, 2012

TO: CITY COUNCIL/CITY MANAGER

FROM: ENGINEERING DEPARTMENT

SUBJECT: CONSIDERATION OF WATER UTILITY'S COLLECTION OF IN-LIEU OF FRANCHISE FEE AND PROPERTY TAX CHARGE

Approved for Agenda:



City Manager's Office

SUMMARY

Consider a reduction in the current Water Utility's rates in regards to the collection of the ten percent of gross water sales, which prior to May 1, 2012 was transferred to the general fund in-lieu of franchise fees and property taxes.

RECOMMENDATION

Pleasure of the Council; direct staff accordingly

FISCAL IMPACT

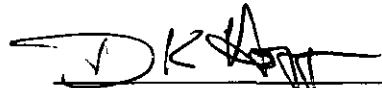
The in-lieu of franchise fee and property tax charge generate approximately \$2.5 million annually, which is currently collected and stays in the Water Fund; if the water rate is reduced in August by ten percent, that equates to a \$2.2 million reduction to the Water Fund and a \$550,000 reduction in the Sanitation Fund in the 2012/13 fiscal year.

DISCUSSION

City Council adopted Resolution 2012-37 at its April 17 meeting (effective May 1, 2012), which reduced the Water Fund transfer to the General Fund from ten percent of gross sales to zero. The City's Water Utility is currently collecting the ten percent and allocating these funds into Water reserves.

Should Council adopt Resolution 2012-58 (Attachment 1), this would result in a ten percent water rate reduction for all rate schedules effective at or around August 1, 2012, depending on the billing the cycle.

It should be noted that the Citizens Water Rate Study Ad Hoc Committee has recently completed its review of the general fund cost of services charged to the Water Fund and reimbursement options. The recommendations from the Committee will be presented to the City Council at an upcoming meeting (*currently scheduled for August 7, 2012*).



Donald K. Hoppel
Director of Engineering

DKH/DS:bas

Attachment 1 – Resolution 2012-58

RESOLUTION NO. 2012-58

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF FULLERTON, CALIFORNIA, ADOPTING REVISED WATER RATES TO BE CHARGED TO USERS OF THE FULLERTON WATER SYSTEM AND AMENDING PORTIONS OF RESOLUTION NO. 10-40

THE CITY COUNCIL OF THE CITY OF FULLERTON HEREBY RESOLVES AS FOLLOWS:

WHEREAS: The Fullerton Municipal Water Utility of the City of Fullerton maintains a water system with the function of providing water to customers and users of the City of Fullerton water system, and has adopted Water Rates, Rules, and Regulations for the sale of water; and

WHEREAS: It is the policy of the City Council of the City of Fullerton that the Fullerton Municipal Water Utility is self-supporting and set water rates accordingly to be able to:

Pay for operation and maintenance of the water system, including salaries, wages and benefits, and the cost of all materials and supplies necessary for repairs, replacements and upgrades to the system; and

Pay interest charges and principal payments on all outstanding water loans and bonds as they are due; and

Provide reasonable cash reserve levels to cover emergency and unforeseen expenses; and

WHEREAS: The City Council of the City of Fullerton took action on July 3, 2012, to cease the collection of the In-Lieu of Franchise Fees and Property Taxes charge and approve a ten percent decrease in the customer charge and commodity rate for all rate classes.

WHEREAS: Section 12.04.060 of the Fullerton Municipal Code provides for the establishment of Water Rates, Rules and Regulations, and charges by resolution.

NOW THEREFORE, BE IT RESOLVED by the City Council of the City of Fullerton hereby amends those portions of Resolution No. 10-40 pertaining to water rates and adopting new Water Rates, per the attached schedule.

The amended Water Rates are effective for water service rendered on and after August 1, 2012.

ADOPTED BY THE FULLERTON CITY COUNCIL on _____,
2012.

Sharon Quirk-Silva, Mayor

ATTEST:

Lucinda Williams, City Clerk

Dated: _____