TO: Honorable Mayor and Members of the City Council

ATTENTION: Michael J. Egan, City Manager

FROM: Leo L. Mingle, Jr., Assistant City Manager

SUBJECT: Adopt Resolution No. 10-xx – A Resolution of the City Council of the City of Bellflower Amending the Operating Budget to Establish the Municipal Water System’s Annual Operating Budget for Fiscal Year 2010-2011 with the Use of General Fund Cash Advances to Provide Relief for the Estimated Operating Shortfall

Adopt Resolution No. 10-xx – A Resolution of the City Council of the City of Bellflower Establishing Rules for the City of Bellflower Municipal Water System and Rescinding Resolution No. 09-70

DATE: May 10, 2010

RECOMMENDATION

Adopt Resolution Nos. 10-xx and 10-xx.

FISCAL IMPACT

The Municipal Water System’s proposed budget includes a 12.2% shortfall reflecting expenses exceeding revenue by $175,134.

The following table shows the money advanced by the City to date 1) to cover the Municipal Water System’s cash deficit; 2) in foregone interest on monies advanced to the operator; 3) in City personnel costs for System management; and 4) for ratepayer assistance programs.

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>Advance for MWS Cash Deficit</td>
<td>$276,595</td>
<td>$309,721</td>
<td>$663,024</td>
<td>$750,000</td>
<td>$1,500,000</td>
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<tr>
<td>Staff Support &amp; Foregone Interest</td>
<td>$55,000</td>
<td>$165,000</td>
<td>$275,000</td>
<td>$385,000</td>
<td>$498,000</td>
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<tr>
<td>Ratepayer Assistance Programs</td>
<td>0</td>
<td>$2,944</td>
<td>$10,448</td>
<td>$20,448</td>
<td>$30,448</td>
</tr>
<tr>
<td><strong>Sub-Total</strong></td>
<td><strong>$331,595</strong></td>
<td><strong>$477,665</strong></td>
<td><strong>$948,472</strong></td>
<td><strong>$1,155,448</strong></td>
<td><strong>$2,028,448</strong></td>
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<tr>
<td>Advance for High Capacity Well</td>
<td>0</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$508,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$331,595</strong></td>
<td><strong>$477,665</strong></td>
<td><strong>$948,472</strong></td>
<td><strong>$1,155,448</strong></td>
<td><strong>$2,536,448</strong></td>
</tr>
</tbody>
</table>

There are sufficient funds available in the City’s undesignated General Fund balance for this purpose.
BACKGROUND

Following successive rate increases in 2007 and 2008, and incident to its approval of a 3.5% rate increase in 2009, the City Council declared its unanimous intention not to raise water rates in fiscal year 2010-2011.

The City of Bellflower established the Municipal Water System (MWS) in 2007 and hired Bellflower-Somerset Mutual Water Company (Operator) to manage its day-to-day operations.

1. Proposed Budget Amendment. In accord with paragraph 9.A of the Agreement to Operate City Water System (Operating Agreement), the Operator is required to provide the City with an Annual Water Rate Determination by April 10th of each year. The Determination is required to include "a schedule of the proposed Water Rates for the ensuing Water Year" and the proposed Water Rates "must produce the minimum required annual water revenue."

The Operator's Annual Water Rate Determination for Fiscal Year 2010-2011 reflects a $175,134 (12.2%) shortfall (Attachment 3).

For comparison, the Director of Finance has prepared the attached “Proposed MWS 2010-11 Operating Budget” in the City’s Operating Budget format (Attachment 4).

State law and City policy requires the MWS budget be balanced and the shortfall eliminated. The proposed budget amendment would accomplish this purpose.

2. Proposed Change to MWS Rules. Recent changes to Public Utilities Code Sections 10009 and 10009.1 now require that “additional information” provided to the occupants of multi-unit residential structures served through a master meter incident to a “Forty-Eight Hour Notice of Discontinuation” as provided in Rule 44.f must, in addition to “plain English,” also be provided in the languages set forth in Civil Code Section 1632, i.e., Spanish, Tagalog, Chinese, Korean, and Vietnamese. No other changes are presently needed. The proposed Resolution adopting revised rules accomplishes this purpose.

Attachments:

1. Resolution No. 10-xx ................................................................. 3
2. Resolution No. 10-xx ................................................................. 4
3. Operator’s Annual Water Rate Determination - 2010-2011 ......................... 33
4. Proposed MWS 2010-2011 Annual Operating Budget ............................ 38