

COUNTY OF SAN MATEO

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Inter-Departmental Correspondence

Date: July 10, 2001

Board Meeting Date: July 24, 2001

TO: Honorable Board of Supervisors
FROM: Neil R. Cullen, Director of Public Works
SUBJECT: Increase in Rates Charged for the Use of Half Moon Bay Airport Property for the Pumping of Water - MidCoast Area

RECOMMENDATION

Adopt a resolution authorizing the Director of Public Works to increase the rates charged for the use of Half Moon Bay Airport Property in conjunction with the pumping of water by Citizens Utilities.

Previous Board Action

1. Approved a Revocable Encroachment Permit on December 12, 1980, which allows Citizens Utilities (Citizens), a Public Utilities Commission regulated water company, to use Airport property for the pumping of ground water, and set the rate charged for the use of said property.
2. Authorized increases in rates and charges for other Airport property uses in 2000.

Key Facts

1. The Airport Enterprise Fund which pays the costs associated with operating San Carlos and Half Moon Bay Airports is financed by those who want to use the Airport's property (hanger and tiedown fees, concession fees and property use fees), and with grants from the Federal Aviation Administration (FAA).
2. The grant assurances associated with the grants that have been accepted from the FAA to finance improvements at the airports, obligates the County to make the Airport financially self-sustaining.
3. The rate charged to Citizens for the use of Airport property is based on the amount of water taken and has not been adjusted since the permit was first issue in 1980.
4. We are recommending that the fair market value for this use of the Airport property be set equal to the rate paid for raw water that the other water purveyor in the MidCoast is charged.

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Discussion

We had previously recommended and your Board approved rates and charges for the other uses of airport property based on a combination of comparable rates paid at other facilities for like services, and on the fair market value of real estate for building or property leases. We also reviewed the rate that Citizens is charged for the use of airport property for its wells, as their charges have not been adjusted since the original permit was issued in 1980. Citizens currently pays the Airport Fund \$40 per acre-foot of raw untreated water pumped at the Half Moon Bay Airport. By comparison, it is our understanding that Coastside County Water District, the other water purveyor providing water service on the MidCoast, currently pays the City of San Francisco \$382 per acre-foot for raw untreated water.

We are recommending that the rates charged for this use of airport property be increased as has other airport user fees to meet the self sustaining criteria in the grant assurances and to help finance the costs associated with operating the airports and maintaining the property. We are also recommending that the rates as shown below be phased in over the next three years and that the rates be reviewed after five years:

Current Rate	-	\$ 40.00 per acre-foot
Proposed New Rate:		
August 1, 2001 – July 31, 2002	-	\$154.00 per acre foot
August 1, 2002 – July 31, 2003	-	\$268.00 per acre foot
August 1, 2003 – July 31, 2006	-	\$382.00 per acre-foot
Rates to be reviewed between August 1, 2005 and July 31, 2006 with recommendations made on rates prior August 1, 2006		

Impact on Water Rates

A One Hundred Dollar (\$100) increase in the cost of an acre-foot of water equates to approximately a \$0.23 increase in the cost of a unit of water (i.e. 100 cubic feet), the measurement used by most water agencies to charge its customers. It is our understanding that rate payers in Citizens' service area currently pay a flat fee of \$27.25 per month and \$4.266 per unit of water used. The current cost charged at the airport equates to \$0.09 per unit of water used, or approximately 2.2% of the unit cost of water charged by Citizens, and 0.9% of the total cost for a resident that uses 5 units of water a month. The first year's proposed increase if past directly onto the rate payer represents a \$0.26 increase in the rate paid per unit of water or a 2.7 % increase in the rate payer's overall bill if they use an average of 5 units of water a month. The following table is a comparison of ratepayer costs assuming Citizens will pass these costs onto the rate payers.

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Estimated Costs to Rate Payers assuming increased cost of water is passed on to Citizen's rate payers:

Citizen's Estimated Charges to Rate Payers							
Time Frame	Cost per acre-foot of water	Flat fee charge per month	Charge per unit of water adjusted for cost of water from Half Moon Bay Airport	Total charge based on 5 units of water used per month	Percent increase to rate payer based on adjusted cost of water from Half Moon Bay Airport	Total charge based on 10 units of water used per month	Percent increase to rate payer based on adjusted cost of water from Half Moon Bay Airport
Current	\$40	\$27.25	\$4.266	\$48.58	0%	\$69.91	0%
Proposed 2001/2002	\$154	\$27.25	\$4.528	\$49.89	2.7%	\$72.53	3.8%
Proposed 2002/2003	\$268	\$27.25	\$4.789	\$51.20	5.4%	\$75.14	7.5%
Proposed 2003/2006	\$382	\$27.25	\$5.051	\$52.51	8.1%	\$77.76	11.2%

However, increasing the cost of using the Airport facilities may not have a direct affect on the rate payers, as an increase in the cost of using Airport facilities does not necessarily equate to an automatic increase in Citizens' water rates. It is our understanding that Citizens would have to provide justification to the Public Utilities Commission for any increase in their retail rate.

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The following chart, for information purposes is a comparison of the current costs of water to the two water purveyors together with what they charge there rate payers for water.

Water Purveyor	Area Served	Cost of Raw untreated water	Flat fee charged per month to the rate payer	Fee per unit of water charged per month to the rate payer
Citizens Utilities	Montara/ Moss Beach	\$40/acre-foot	\$27.25	\$4.266/unit of water
Coastside County Water District	Half Moon Bay and El Granada	\$382/acre-foot	\$6.15	\$1.85/unit of water (1 to 8 units) \$2.04/unit (9 to 25 units)

Fiscal Impact

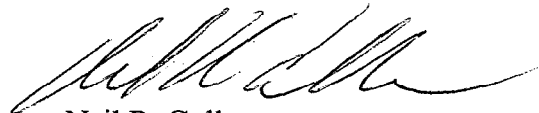
We estimate that the Airport Enterprise Fund will receive an additional \$21,000 per year in revenues the first year which will increase to \$64,000 in the third and subsequent years if Citizens continues to use the Airport facilities at the same rate.

There is no impact to the General Fund.

Other Agencies Contacted

A copy of our staff report has been sent to the MidCoast Community Council, Citizens, Cal American Water Company and the Montara Sanitary District as it is our understanding that both Cal American and the Sanitary District are considering acquiring the assets of Citizens and becoming the water purveyor for the area.

A form of Resolution has been approved by County Counsel.



Neil R. Cullen
Director of Public Works

NRC:BCL:MCL:sdd

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cc: Milt Mares, County Counsel
Brian C. Lee, P.E., Division Manager, Programs and Engineering Services
Mark Larson, Airports Manager

Resolution No. _____

Board of Supervisors, County of San Mateo, State of California

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**Resolution Adopting a Fee Schedule Bringing the Rates Charged to
Citizens Utilities for the Use of Half Moon Bay Airport Property
for the Pumping of Water In Line with Fair Market Value**

RESOLVED by the Board of Supervisors of the County of San Mateo, State of California, that

WHEREAS, there has been presented to this Board of Supervisors for its consideration a fee schedule for the use of Half Moon Bay Airport property for the pumping of ground water; and

WHEREAS, this Board has examined and considered said fee schedule.

NOW, THEREFORE, IT IS HEREBY DETERMINED AND ORDERED that the following fees shall be charged for the use of Half Moon Bay Airport property for the purposes of pumping ground water, and said fees are in addition to any other charges that may be levied or required such as well permits or coastal development permits:

August 1, 2001 – July 31, 2002 -	\$154.00 per acre foot of water pumped
August 1, 2002 – July 31, 2003 -	\$268.00 per acre foot of water pumped
August 1, 2003 – July 31, 2006 -	\$382.00 per acre-foot of water pumped

The Director of Public Works shall review the above rates between August 1, 2005, and July 31, 2006, and make recommendations to this Board on revisions to the rates on or before August 1, 2006.
