



Office of the City Manager

CONSENT CALENDAR
May 22, 2007

To: Honorable Mayor and
Members of the City Council

From: *PK* Phil Kamlarz, City Manager

Submitted by: Robert Hicks, Acting Director, Finance

Subject: Extension of the Sewer Service Billing and Collection Agreement with East Bay
Municipal Utility District

RECOMMENDATION

Adopt a Resolution authorizing the City Manager to execute an agreement with the East Bay Municipal Utility District (EBMUD) on behalf of the City to extend the sewer service charge billing and collection agreement for an additional 3-year term, expiring June 30, 2010. Council authorized the current 10-year agreement on October 28, 1997 (Resolution No. 59,236-N.S.).

FISCAL IMPACTS OF RECOMMENDATION

In 1997, the City and EBMUD agreed upon a formula to calculate EBMUD charges to the City for sewer billing and collection services. For every dollar that EBMUD collects in sewer fees, it costs the City approximately 3 cents for billing and collection services. EBMUD plans to use the same billing and collection cost formulas for the extended 3-year term. The fees for the sewer billing and collection service that EBMUD provides are paid entirely from the Sewer Fund (Fund 830) and are not expected to increase during the 3-year agreement extension. In FY06 the City paid EBMUD \$295,310 for billing and collection services.

CURRENT SITUATION AND ITS EFFECTS

Under the 1997 'Sewer Service Charge Billing and Collection Agreement', EBMUD provides the City with sewer service charge billing and collection services for all residential, multi-residential, commercial, industrial, and agency customers. Sewer fees are collected by EBMUD and remitted to the City on a monthly basis.

On March 6, 2007, EBMUD began an effort to update the Sewer Service Agreements it has with Berkeley and four other agencies by providing notice that the current contract expires effective June 30, 2007 and offering to extend the contract for three additional years. On May 22, 2007 EBMUD will request that its Board grant the 3-year extension to the 'Sewer Service Charge Billing and Collection Agreement' for all five agencies that they provide these services for, including Berkeley.

EBMUD is proposing two changes to the contract: 1) extend the term an additional three years, and; 2) delete all references in the agreement 'excluding replacement of Customer Information System' from the formula used to calculate EBMUD charges for billing and collection services.

In April of 2007 EBMUD will begin a project to replace its existing Customer Information System (CIS) that it uses to bill and collect water and agency sewer fees. The new CIS should be completely installed within the next three years and EBMUD will provide the sewer billing agencies with 12 months written notice, prior to implementing a new rate tier to calculate each agency's proportional share of the actual cost of the new CIS. At that time, EBMUD staff will negotiate a new 10-year agreement and will provide more information about the CIS replacement costs at that time.

This contract extension does not increase the base rate, and any future increases would be negotiated. The City could, during the negotiations for a new contract, opt out of the contract with EBMUD, if the cost of the new CIS appear too expensive, but it is reasonable for the City to pay its fair share of the replacement cost of the CIS billing and collection system.

EBMUD has requested a waiver from the Living Wage Ordinance since they are a Municipal Corporation created under State Law and therefore they are neither a for-profit business nor a non-profit business, as defined by Section 501(c) of the Internal Revenue Code of 1954.

BACKGROUND

EBMUD has provided the City with sewer service charge billing and collection services for over 20 years and on October 28, 1997 Council authorized the City Manager to enter into another 10-year agreement with EBMUD (Resolution No. 59,236-N.S.) for sewer charge billing and collection services. The 10-year agreement expanded the services provided by EBMUD to include the billing and collection of sewer service fees from residential customers based upon their water consumption.

Prior to this amendment to the agreement with EBMUD, the City billed residential customers (with one to four units) a flat, per unit, fee for sewer service. The fee was directly billed by the City to the customer or billed via the annual property tax bill. Billing residential customers for sewer fees via the annual property tax resulted in large fluctuations in revenue with the County remitting the bulk of the revenue in two large payments—one in December and a second payment in mid April. Collecting sewer fees via the EBMUD bills results in a steady revenue stream with EBMUD remitting monthly, the sewer fees they collect on our behalf.

RATIONALE FOR RECOMMENDATION

EBMUD has provided sewer billing and collection services for the City of Berkeley for its commercial, industrial, and multi-residential customers well over twenty years. In 1997, the City expanded the services provided by EBMUD to include billing residential customers, with one-four units, for sewer service, based upon water consumption. Billing and collecting sewer fees via the EBMUD water bill provides for a low cost, efficient, and effective billing and collection alternative to the City billing customers directly or via the property tax bill.

ALTERNATIVE ACTIONS CONSIDERED

Viable alternatives to using EBMUD as the City's service provider for billing and collecting sewer fees do not exist at this time since an alternate billing and collection solution would have to be in place and ready for use upon the agreement termination date of June 30, 2007.

CONTACT PERSON

Heather Murphy, Revenue Collection Manager, Finance, 981-7261
Lorin Jensen, Supervising Civil Engineer, Public Works, 981-6411

Attachments:
1: Resolution

RESOLUTION NO. ##,###-N.S.

EXTEND THE SEWER SERVICE BILLING AND COLLECTION AGREEMENT WITH THE EAST BAY MUNICIPAL UTILITY DISTRICT FOR AN ADDITIONAL 3-YEAR TERM, EXPIRING JUNE 30, 2010

WHEREAS, the East Bay Municipal Utility District (EBMUD) has provided the City with sewer service charge billing and collection services for over twenty years; and

WHEREAS, on October 28, 1997, Council authorized Resolution No. 59,236-N.S. allowing the City Manager to execute a 10-year agreement with EBMUD to bill and collect sewer fees until June 30, 2007; and

WHEREAS, on March 6, 2007, EBMUD began an effort to extend the Sewer Service Charge Agreements it has with other agencies by providing notice that the current agreement expires effective June 20, 2007; and

WHEREAS, EBMUD has offered to extend the 10-year agreement an additional 3-years and on May 22, 2007 will request that its Board grant the 3-year extension to the 'Sewer Service Charge Billing and Collection Agreement' for all five agencies that they provide this service for, including Berkeley; and

WHEREAS, staff have determined that the modifications to the agreement will not result in an increase in fees charged by EBMUD to the City of Berkeley for their billing and collection services during the 3-year extension; and

WHEREAS, funds are available in the next fiscal year's Sewer Fund (830) budget to pay for billing and collection services.

NOW THEREFORE, BE IT RESOLVED that the Council of the City of Berkeley authorizes the City Manager to extend the sewer service billing and collection agreement with the East Bay Municipal Utility District (EBMUD) for an additional 3-year term, expiring June 30, 2010