

## **Pass-Through Water Rate Increases to Tenants by William B. Kunzig**

On November 5, 2002, the voters of San Francisco passed Proposition A, which authorized the issuance of Water System Improvement Revenue Bonds. Water rates were increased in July 2005 as a result of the issuance of these water revenue bonds. Pursuant to Rent Ordinance Section 37.3(a) (5) (B) and Rules and Regulations Section 4.14, 50% of the water bill charges attributable to water rate increases resulting from the issuance of water revenue bonds can be passed through to tenants.

Fifty percent (50%) of the amount specified on the water bill may be passed through to the tenants.

Water bills issued after July 1, 2005 specify the amount of the water charges resulting from the issuance of water revenue bonds. The bill states, "Your current water charge includes \$XX.XX for costs attributable to water rate increases resulting from the issuance of Water Systems Improvement Revenue Bonds authorized by voters at the November 5, 2002 election (Proposition A)." Fifty percent (50%) of the amount specified on the water bill may be passed through to the tenants.

The procedure for calculating the Water Revenue Bond Pass-through is set forth in Rules and Regulations Section 4.14© and is also provided on the Water Revenue Bond Pass-through Worksheet that must be completed by the landlord in order to impose a Water Revenue Bond Pass-through. The landlord must calculate the amount of the pass-through as follows:

Step 1: Compile the water bill(s) to be included in the calculation of the Water Revenue Bond Pass-through. The landlord may base the calculation on a single water bill OR, in the alternative, on all of the water bills for any calendar year. Where the landlord elects to calculate the pass-through based on any calendar year, the pass-through shall be based on actual costs incurred by the landlord during the relevant calendar year, regardless of when the water bills were received or paid. Note: it is not necessary to prorate water bills for service periods that fall into two different calendar years. The landlord can elect to include such bills in either calendar year, but cannot include the same bill in both years. For example, if the service period is 12/9/05 to 2/8/06 the landlord can include this bill in the calculation for either calendar year 2005 or calendar year 2006, but not both,

Step 2: Add up the eligible water bill charges resulting from the issuance of water revenue bonds. These charges are listed separately on each of the water bills. Divide that figure by two (since a 50% pass-through is permitted) in order to obtain the total amount of eligible charges that can be passed through to tenants.

Step 3: Divide the amount determined in Step 2 above by the total number of units covered by the water bill(s), including commercial units, to obtain the allowable pass-through per unit.

Step 4: Divide the amount determined in Step 3 above by the number of months covered by the water bill(s) to determine the monthly pass-through amount for each unit covered by the water bill(s). The pass-through shall remain in effect for the same number of months covered by the water bill(s) used to calculate the pass-through.

Note: In determining the number of months covered by the water bill, the landlord should choose the number of months closest to the actual service period. For example, if the service period is 5/3/05 to 7/1/05, the landlord should consider this to be two months.

In order to impose a Water Revenue Bond Pass-through the landlord must complete a Water Revenue Bond Pass-Through Worksheet which is a form available from the Rent Board. The Worksheet form must be attached to the notice of rent increase given to the tenant when imposing the pass-through. **The Worksheet form can be obtained at the Rent Board's office at 25 Van Ness Avenue Suite 320, and is also available on the Rent Board's website at [www.sfgov.org/rentboard](http://www.sfgov.org/rentboard).**

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