



Staff Report

TO: City Council
FROM: Jennifer Ustation, Finance Director
DATE: June 6, 2023
SUBJECT: Authorize Initiation of a Proposition 218 Notification Process in Preparation to Adopt Maximum Rate Increases for the Next Five Years (Fiscal Years 2024 to 2028) at a Public Hearing on August 15, 2023

Description This item is requesting the approval to send out notices of sewer rate increases to comply with Proposition 218 requirements.

Background and Analysis:

On December 6, 2022, City Council approved a contract with Raftelis Financial Consultants, Inc. dba Raftelis, to complete a sewer rate study that will independently evaluate and make recommendations related to the City's existing wastewater rates and fee schedule. The final goals of the project include the development of the following:

- Fair and reasonable wastewater rates and fees for a five-year (5) period.
- Ten-Year (10) Financial Plan to provide necessary revenue for the City's CIP needs.
- Updating financing and rate schedule models.

Raftelis completed the financial planning, cost-of-service analysis, and preliminary proposed FY2024 rates and presented them to the City Council on April 10, 2023. The City Council provided direction to bring back information on the following:

- Provide scenarios that include the General Fund charging the full amount of administrative overhead as identified in the Cost Allocation Plan approved in June 2022.
- List of capital improvement projects used within the study.
- Any debt scenarios to list the potential projects the debt would fund.
- Determine what was driving the potential rate increases being proposed, i.e., growth vs operations.

Raftelis has completed two financial plans which were reviewed with the City Council at a special workshop of May 30, 2023. Scenario 1 ramps up the administrative overhead

charge with the full amount charge by FY2028. Scenario 2 has the full administrative overhead charged in FY2025. Neither scenario requires the use of debt to fund projects as was originally proposed due to the reduction of a duplicated project in the capital improvement plan schedule.

Both models provide different rate increases determined by the revenue requirements to meet both operational and capital costs.

At the workshop, the City Council provided directions to move forward with Scenario 2 as presented. The City Council also requested to see each year's dollar amount increases for the single-family account class which has been provided as Attachment A.

The City Council had also requested to level out the increases for each year, however, due to the cash needs for the beginning years of the model, this request was not able to be completed and still meet the cash reserve levels to maintain sustainability in the fund.

Proposed Schedule

In order to implement the new rates by September 1, 2023, staff is proposing the following schedule:

June 6, 2023	City Council meeting to initiate the Proposition 218 notification process.
July 1, 2023	Deadline to mail public hearing notices to property owners.
August 15, 2023	Public hearing to hear protests and possible adoption of a resolution setting new rates for the next five years. Rates cannot be adopted if more than 50% of property owners or tenants submit written protests.
September 1, 2023	New rates become effective, and then are adjusted annually for the next five years on July 1 st .

Fiscal Impact:

The estimated cost of \$15,000 to mail the notices will be paid from project WW-03. The estimated cost to prepare this staff report is \$185.

WW-03 Wastewater Rate Study Project Accounting Summary				
Funding Summary				
Funding Year	Funding Source			Amount
2021-2022	Wastewater			\$200,000.00
Total Project Funding =				\$200,000.00
Budget Summary				
Project Component	Budget	Encumbered	Paid to Date	Remaining Budget
Project Management	\$185,000.00	(\$57,998.00)	\$0.00	\$127,002.00
Preliminary Services	\$15,000.00	(\$12,897.00)	(\$8,654.06)	\$2,103.00
Environmental	\$0.00	\$0.00	\$0.00	\$0.00
Design	\$0.00	\$0.00	\$0.00	\$0.00
Construction	\$0.00	\$0.00	\$0.00	\$0.00
Construction Management	\$0.00	\$0.00	\$0.00	\$0.00
Permits	\$0.00	\$0.00	\$0.00	\$0.00
Equipment	\$0.00	\$0.00	\$0.00	\$0.00
Project Summary Totals	\$200,000.00	(\$70,895.00)	(\$8,654.06)	\$129,105.00

Recommended Action:

Staff recommends that City Council authorize initiation of a Proposition 218 notification process in preparation to adopt maximum rate increases for the next five years (Fiscal Years 2024 to 2028) at a public hearing on August 15, 2023.

Attachments:

- A. Rate Increases in Dollars for Single-Family Account Class
- B. Sample Prop 218 Notice