



## REPORT TO CITY COUNCIL

**Approved by:**

*Anthony R. Forestiere*

Anthony Forestiere, Interim Director of Financial Services

*Arnoldo Rodriguez*

Arnoldo Rodriguez, City Manager

**Council Meeting of:** April 20, 2022

**Agenda Number:**     A-1    

**SUBJECT:**

Consideration of Corrected Water, Sewer, Storm Drainage and Solid Waste Rate Studies, Date for Proposition 218 Public Hearing and Rescinding Resolution No. 22-38

**RECOMMENDATION:**

Staff recommends that the Council Adopt Resolution Accepting the Rate Study Relating to Water, Sewer, Storm Drainage and Solid Waste; Authorizing Required Actions Under Proposition 218; Setting a Proposition 218 Public Hearing Date To Consider Rate Increases; And Rescinding Resolution No. 22-38.

**SUMMARY:**

The City issued a Request for Proposal (RFP) in August 2020 for a study of the utility rates for water, sewer, storm drainage, and solid waste services.

The City completed its last rate study for water and sewer utility rates in 2015, with the resulting water and sewer rates taking effect in July 2015 with incremental increases through January 2020. In December 2018, the Council considered a revision to the water conservation portion of the water rates and reduced the planned increase from 10 percent to 6 percent for the fiscal year 2018/19. The storm drainage rates have not been adjusted since 1992. The solid waste services are contracted to a third party, and the fee schedule was updated in March 2017.

On April 6, 2022, Council adopted Resolution No. 22-38 accepting the Rate Study relating to water, sewer, storm drainage and solid waste, authorizing required actions under Proposition 218 and setting a Proposition 218 Public Hearing date to consider rate increases. Due to timing of the Public Hearing date and implementation of recommended rates, the tables and charts reflected in the staff report and rate studies are corrected to commence the five-year period in FY 2022 rather than FY 2021 and to delete drought rates in the water rate study as drought rates were not considered by the Council. In fact, Council determined not to approve tiered rates

**DISCUSSION:**

This item is a follow-up to the discussion at the April 6, 2022 meeting.

At the April 6, 2022 Council meeting, the Council received the final report for the water, sewer, storm drainage and solid waste rate studies and adopted Resolution No. 22-38 authorizing staff to take required actions under Proposition 218 including preparation and mailing of 45-day notices to rate payers and setting public hearing for June 15, 2022.

Timing of the implementation of the new rates was originally anticipated to be FY 2021-2022 through 2025-2026, however the actual implementation date is FY 2022-2023 through 2026-2027. Technical corrections have been made to the charts and tables in the rate studies and the Public Hearing Notice will reflect the updated time frame of FY 2022-23 through 2026-27.

The water rate study included drought rates, which the Council would have the option to implement those rates during a time of drought and loss of water revenue. However, these rates were not considered in the workshops. The Council's direction was to eliminate the tiered rate system and as such the drought rates are removed from the water rate study.

It is worth noting that utilities, including sewer, water, trash collection, and drainage are funded by user fees that provide for the daily operation and maintenance of the various systems. Said fees are viewed as property-related fees for a utility service and are subject to specific requirements of the California Constitution Article XIII D § 6(a), commonly referred to as Proposition (Prop) 218. The requirements include:

- The fees must only cover expenses to provide service to the customer assessed.
- An increase in the fee(s) must be approved by the customers under a protest-ballot procedure, where all affected property owners are notified and given the opportunity to protest the increase in writing or at a public hearing, and a majority protest prohibits the increase.
- A multi-year schedule of fee increases is allowed for up to five years.
- The Prop 218 process occurs after the Council approves the rate studies. This process involves mailing a Notice of the Proposed Rate Increases to all affected customers.
  - Any customer opposed to the rate increase would need to send a letter back to the City protesting the rate increases.
  - If more than 50 percent of the customers are opposed to the rate increase, the increase would be blocked.
  - The Prop 218 process also requires having a public hearing no earlier than 45 days before the mailing to receive comments on the proposed increases. At the end of this hearing, the Council would close the period to receive protests, and then count the protest ballots. If the protest failed, the Council could adopt the proposed rate increase.

**FINANCIAL IMPACT:**

The Council has considered alternative rate study scenarios at the August 18, 2021, December 15, 2021, January 19, 2022 and April 6, 2022 Council meetings. While drafting the Notice of Public Hearing, the

technical correction to the implementation date was identified and the five-year period will commence beginning FY 2022-23 rather than FY 2021-22. The draft rate studies are available at [www.madera.gov](http://www.madera.gov).

**CONSISTENCY WITH THE VISION MADERA 2025 PLAN:**

The proposed action is consistent with Vision Plan Action Item 115.5.

*Action Item #115.5:* Insure the physical and financial sustainability of the City existing and expanding sewer and water infrastructure.

- A. Develop a comprehensive detailed inventory of the existing water and sewer collection systems that forecasts the probable life, and periodic major maintenance and/or replacement of all of the individual elements.
- B. Provide a long-term financial plan that forecasts the required capital repairs to the existing system and corresponding revenues.
- C. Where feasible, include appropriate funding in annual and CIP budgeting and determination of user rates.

RESOLUTION NO. \_\_\_\_\_

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MADERA, CALIFORNIA,  
ACCEPTING THE RATE STUDY RELATING TO WATER, SEWER, STORM DRAINAGE AND SOLID WASTE;  
AUTHORIZING REQUIRED ACTIONS UNDER PROPOSITION 218; SETTING A PROPOSITION 218 PUBLIC  
HEARING DATE TO CONSIDER RATE INCREASES; AND RESCINDING RESOLUTION NO. 22-38**

**WHEREAS**, the City of Madera engaged NBS Consulting, a firm with expertise in the analysis of costs relating to utilities to conduct a rate study of the City's municipal water, sewer, storm drainage, and solid waste utilities; and

**WHEREAS**, the City Council (Council) has held three public workshops (August 18, 2021, December 15, 2021, and January 22, 2022) regarding current rates and the need to increase rates to meet operational costs; and

**WHEREAS**, the Council received a final report from NBS Consulting at this Council meeting of April 6, 2022, and heard from staff on this matter; and

**WHEREAS**, on April 6, 2022, Council adopted Resolution No. 22-38 Accepting the Rate Study Relating to Water, Sewer, Storm Drainage and Solid Waste; Authorizing Required Actions Under Proposition 218; and Setting a Proposition 218 Public Hearing Date To Consider Rate Increases; and

**WHEREAS**, in preparation of the Notices to Ratepayers certain clerical errors were discovered as follows:

- (i) The tables and charts reflected five-year periods commencing in FY 2021/2022 rather than FY 2022/2023; and
- (ii) The ultimate Report included text regarding drought rates which the Council did not consider. In fact, Council determined not to approve tiered rates; and

**WHEREAS, corrections to the Rate Study Report and the water rate study have been made by NBS to include the correct fiscal year and to delete drought rates; and**

WHEREAS, the Council wishes to proceed with the Proposition 218 Process relating to proposed rate increases.

**NOW THEREFORE, THE CITY COUNCIL OF THE CITY OF MADERA** hereby resolves, finds, and orders as follows:

1. The above recitals are true and correct.
2. The Council accepts the final report from NBS Consulting relating to proposed rate increases for water, sewer, storm drainage, and solid waste as corrected consistent with the foregoing recitals.
3. Staff is directed and authorized to take required actions under Proposition 218 including but not limited to preparation and mailing of required 45-day notices to rate payers and setting of at least one workshop during the 45-day period.
4. A copy of the corrected report can be accessed at [www.madera.gov](http://www.madera.gov).

5. A public hearing shall be held in accordance with the requirements of Proposition 218.
6. The date for the public hearing on the proposed rate increases is hereby set for June 15, 2022, at 6 PM in the Madera Council Chamber.
7. Staff are directed to take all actions necessary to effectuate the Proposition 218 process and to ensure an open, transparent, and lawful process regarding the proposed rate increases.
8. Resolution No. 22-38 is hereby rescinded.
9. This resolution is effective immediately upon adoption.

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