



City of Rialto

Legislation Text

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The For City Council Meeting and Rialto Utility Authority [December 12, 2017]

TO: Honorable Mayor and City Council

APPROVAL: Michael Story, City Administrator

FROM: Thomas J. Crowley, P.E., Utilities Manager

Request City Council to Approve **Resolution No. 7266** of the City Council of the City of Rialto Ratifying and Confirming the Adjustments of Water and Sewer Rates effective February 1, 2018 and **Resolution No. 005-17** of the Rialto Utility Authority Ratifying and Confirming the Adjustments of Water and Sewer Rates effective February 1, 2018.

(ACTION)

BACKGROUND:

In order to adjust water and wastewater user rates the City must adhere to the requirements of the California Constitution Article XIID, which was added to the California Constitution by Proposition 218, approved by the California voters on November 5, 1996. Proposition 218 requires that the following must take place:

1. The parcel upon which the fee or charge is proposed for imposition must be identified;
2. The amount of the fee or charge to be imposed must be calculated;
3. Written notice by mail of the proposed fee or charge must be provided to the record owner of each identified parcel; and
4. A public hearing must be conducted upon the proposed fee or charge no earlier than 45 days after written notice is mailed.

Proposition 218 establishes standards for the completion of the rate study which supports the imposition of water and wastewater rates. Generally, rates cannot be established in excess of the cost of service and the revenues derived can only be used for legitimate purposes related to service delivery. In addition, the rates levied upon any customer shall not exceed the proportional cost of service to that customer. In short, the rates should reasonably reflect the actual cost of serving water and wastewater customers.

Revenue from rates levied upon water and wastewater customers pay for the following:

- (1) operation service fees,
- (2) operator reimbursable payments,
- (3) RUA retained expenses,

- (4) annual operating repair and replacement payments,
- (5) capital charges,
- (6) deposits to various reserve accounts,
- (7) annual lease payments from RUA to City, and
- (8) costs associated with certain risk items estimated by RUA.

ANALYSIS/DISCUSSION:

As part of staff's efforts to review procedures and processes within the utility operations, staff reviewed the current rate structure and recent rate history. This was done in conjunction with staff's normal monitoring of the Rialto Utility Authority ("RUA") accounts and fund balances. In the review, it was discovered that the City has not implemented the rate adjustments as authorized and approved.

As background, on June 12, 2012, the City held a properly noticed public hearing pursuant to Proposition 218 concerning the schedule of rates over several years that included yearly adjustments based on the consumer price index ("CPI"). After tallying up the written protests against the revised schedule of rates, the City Council found that less than a majority of property owners objected to the increased schedule of rates. On June 26, 2012, the City Council adopted Resolution No. 6119 approving the schedule of water and wastewater rates to be triggered on January 1 of each year in 2013, 2014, 2015, and 2016. On December 8, 2015, the City Council/RUA adopted RUA Resolution No. 005-15 that deferred the January 1, 2016 scheduled adjustment and CPI. Copies of City Council Resolution No. 6119 and RUA Resolution No. 005-15 are included as **Attachments 1 and 2**, respectively.

Staff is proposing to implement the CPI adjustments for water and wastewater service that could have been implemented in January of 2016, but for the deferral. These adjustments have already been approved by City Council and eligible voters through the Proposition 218 process. These procedures were outlined in Resolution No. 6119, and would only amount to a 0.589% adjustment for water and 1.503% for wastewater services.

It should be noted that the water and wastewater provisions of Resolution 6119 are different. The differences in percentages are due to the requirements outlined in the Resolution 6119, which called out different months be used to determine any CPI adjustments. Resolution 6119 calls for annual water rate increases effective January 1, using the previous October CPI values. Resolution 6119 also calls for annual wastewater rate increases effective July 1 of each year, based on previous April increases. The rate adjustments proposed are based on the following:

Water CPI Adjustment Calculation based on:

October 2014 CPI: 235.343
October 2015 CPI: 236.728
Percent Change: 0.589%

Wastewater CPI Adjustment Calculation based on:

April 2015 CPI: 235.222
April 2016 CPI: 238.757
Percent Change: 1.503%

Data used in rate adjustment calculations taken from the CPI-Urban Wage Earners and Clerical Workers. Area = West Urban index as found at <https://data.bls.gov/cgi-bin/surveymost>. (Data

downloaded on 11/27/17.)

Staff recommends the City Council/Utility Authority adopt the proposed City Council Resolution and RUA Resolution, which are included as **Attachments 3 and 4**, respectively and authorize implementation of the rate adjustment effective February 1, 2018.

ENVIRONMENTAL IMPACT:

This request is not a “Project” as defined by the California Environmental Quality Act (CEQA). Pursuant to Section 15378(a), a “Project” means the whole of an action, which has a potential for resulting in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment. According to Section 15378(b), a Project does not include: Organizational or administrative activities of governments that will not result in direct or indirect physical changes in the environment.

GENERAL PLAN CONSISTENCY:

The availability of adequate water and wastewater infrastructure is an important component of the City’s economic development strategy as outlined in the General Plan. Approval of the proposed action complies with the following City of Rialto Guiding Principles, General Plan Goals and Policies:

Our City government will lead by example, and will operate in an open, transparent, and responsive manner that meets the needs of the citizens and is a good place to do business.

Goal 3-6: Require that all developed areas within Rialto are adequately served with essential public services and infrastructure.

Policy 3-6.1: Coordinate all development proposals with other affected public entities to ensure the provision of adequate public facilities and infrastructure services.

Policy 3-6.3: Require an increasing level of public safety infrastructure and service capability tied to population increase and increasing service demand.

Policy 3-6.4: Complete infrastructure master plans for sewer, water, and drainage.

Goal 3-7: Upgrade public infrastructure as an inducement to promote private investment.

Goal 3-8: Promote affordable and quality water service capable of adequately meeting normal and emergency water demands to all areas in Rialto.

Policy 3-8.1: Require that all new development or expansion of existing facilities bear the cost of expanding the water system to handle the increased demands which they are expected to generate.

Policy 3-8.4: Advocate regular evaluation of the entire water supply and distribution system to ensure its continued adequacy, reliability, and safety.

Policy 3-8.5: Upgrade outdated and undersized water service facilities to prevent unnecessary system failures in the City’s water system.

Policy 3-8.7: Develop new sources of water supply, including drilling additional water wells that are free from perchlorate, and expanding recycling water opportunities.

Goal 3-9: Upgrade and maintain an improved wastewater system with adequate plant efficiency and capacity to protect the health and safety of all Rialto residents, businesses, and institutions.

Policy 3-9.1: Require that all new development or expansion of existing facilities bear the cost of expanding the wastewater disposal system to handle the increased loads which they are expected to generate.

LEGAL REVIEW:

The City Attorney/Authority Counsel has reviewed and approved the staff report.

FINANCIAL IMPACT:

The proposed water and wastewater user rates will provide resources that will create operating and capital budget impacts for the Water and Wastewater Enterprise Funds and the City General Fund. The proposed water rate adjustment is projected to generate approximately \$50,000 over a 12-month period. The proposed wastewater rate adjustment is projected to generate approximately \$366,000 over a 12-month period. The City levies an 8% tax on all utility services through June 30, 2018. The tax would apply to the rate adjustment scheduled to take effect on February 1, 2018. The additional utility tax revenue generated will be an approximately \$32,000.

RECOMMENDATION:

Staff recommends that the City Council approve the following:

1. Resolution of the City Council of the City of Rialto Ratifying and Approving an Adjustment to the Water and Sewer Rates.
2. Resolution of the Rialto Utility Authority Ratifying and Approving an Adjustment to the Water and Sewer Rates.
3. Direct staff to notify all water and sewer customers of the rate adjustment and indicating the amount of the CPI adjustment effective February 1, 2018, and serving as a reminder of the prior approved schedule of rates and adjustments.