

City of Sierra Madre Agenda Report

Joe Mosca, Mayor
John Buchanan, Mayor Pro Tem
MaryAnn MacGillivray, Council
Member
Joshua Moran, Council Member
Nancy Walsh, Council Member

Nancy Shollenberger, City Clerk George Enyedi, City Treasurer

TO: Honorable Mayor Mosca and Members of the City Council

FROM: Elaine I. Aguilar, City Manager

INITIATED BY: Bruce Inman, Director of Public Works

Karin Schnaider, Director of Administrative Services

DATE: JULY 13, 2010

SUBJECT: ORDINANCE 1312 ADJUSTING WATER RATES FOR FISCAL

YEARS 2010-2015

SUMMARY

On May 11, 2010 the City Council directed staff to proceed with the Proposition 218 process for community of an increase in water rates. At that time a date was set on which a Public Hearing would be held and protest letters counted. At this time, the City Council should hold the Public Hearing on the matter of the proposed rate increase and direct that a count be taken on the number of protest letters received.

ANALYSIS

Much has been stated previously regarding the need for an increase in the water rates; copies of the two preceding staff reports regarding the matter are attached to this report, along with the FAQ sheets, and the Bucknam and Associates rate study. In summary, the reasons for the rate increase are:

- 1. The current water rates do not generate the amount of revenue necessary to meet the covenants on the bonds issued to the City. (Exhibit J in Bucknam Water Rate Study, attached)
- 2. The current water rates have not kept pace with the costs to operate the water system. If rates are not increased, the water fund will begin to dip into its limited reserves this fiscal year, with a net loss of \$81,503 in FY 10-11. That amount will increase each subsequent year, with the total loss over the study period (FY's 2010-15) of approximately \$1.7 million.
- 3. The current water rates do not generate sufficient funding to meet the 'local match' requirements for federal funds that have been authorized for the City for

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- use in the design and construction of water infrastructure repairs and replacements.
- 4. The City's aging water infrastructure requires component repair and replacement to serve existing customers. The aquifer which is the City's primary source of water is in decline, necessitating costly repairs and improvements to existing facilities in order to improve the capture and conservation of stormwater runoff.

PUBLIC NOTICE PROCESS

This item has been noticed through the regular agenda notification process. As is customary, copies of this report are available at the City Hall public counter and the Sierra Madre Public Library.

In addition to following the regular public notification process, on May 17th staff mailed a letter/notice to all water customers which noted the date, time and location of the public hearing, as well as describing the rate increase and the means of protesting the increase, as described in Proposition 218.

Subsequent to that mailing additional steps have been taken to answer questions from the community and address concerns:

- A second City Council discussion on the rate increase was held on June 22nd.
- City Council staff reports, FAQ sheets, protest procedure, etc, were put on the City's website.
- Articles were printed in local newspapers.
- Two Frequently Asked Question sheets were produced and made available at multiple public locations.
- Staff made a presentation at a Kiwanis luncheon, to which the public had been invited
- Staff attended the Trail Race and July 5th community events, staffing booths to disseminate information, answer questions, and distribute water conservation materials.
- At the direction of City Council, staff brought the matter back for discussion at the Council meeting of June 22nd.
- A "Community Water Walk and Talk" was held at the City Yard on July 8th, consisting of an open-to-the-public tour of the water production facility and presentations by staff.
- Information regarding the rate adjustment and some of the events listed above went out to the community in the form of e-blasts.

PROPOSITION 218 PROCESS

Under Proposition 218 an increase in water rates may not take place if the City receives a majority protest (written protests with regard to a majority of affected parcels). All

protests must be in writing, bear original signatures, and must be received prior to the close of the public hearing.

A number of protest letters have been received by the City Clerk. In addition to those letters, staff has also been made aware of petitions being circulated in the community seeking signatures protesting the rate increase. The City attorney has determined that the signatures on the petitions (if associated with a water customer) may be considered as protest letters under the Proposition 218 guidelines.

At this point in the Prop 218 process the City Council must hold a Public Hearing. During that hearing, the City Clerk continues to receive written protests from the public. Upon the close of the Public Hearing the protest period will also be closed, and no further written protests can be accepted by the City Clerk. Once the protest period is closed the number of protests are to be counted. Public testimony at the hearing does not count towards the total number of protests needed to stop the rate increase; only written protests can be counted.

ALTERNATIVES

The options available to the City Council at this time will be governed by the number of protest letters received. If the number of letters received by the close of the Public Hearing is less than the required 1,848 the City Council may proceed with first reading of Ordinance 1312, raising the water rates. Alternatively, the Council may decide to direct staff to come back with a revised rate schedule incorporating a different tier structure or different amounts of increase. Approval of such a revised schedule would require a new Proposition 218 notice and hearing process if any rate would be higher than that included in the currently proposed rate schedule.

If the minimum number of protests appears to have been met, it will be necessary to review the signatures and addresses to make sure there are no duplicates and that all are valid. That review cannot be completed during the Council meeting, and would require that the matter be continued to the July 27th meeting.

STAFF RECOMMENDATION

If the number of protests received is clearly less than 1848, staff recommends that the City Council read by title only and approve Ordinance 1312.

If the number of protests received is possibly 1848 or greater, staff recommends that the City Council continue first reading of Ordinance 1312 until July 27th in order to allow time for verification of the validity of the protests.

Attachments: Staff reports from May 11 and June 22, 2010

Ordinance 1312