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Staff Report for a City of San Leandro City Council Resolution to Amend the City of San Leandro Administrative Code Title 6, Chapter 4, Section 6.4.110 to Adjust Sewer Service Rates

SUMMARY AND RECOMMENDATIONS

Upon completion of the public noticing, protest period, public hearing, and counting of protest votes, as required by Proposition 218, where a majority protest against the increase to the sewer rates was not achieved, staff recommends that the City Council by resolution amend the sewer service rates to the amounts shown in Exhibit A. Sewer rates in future years may be raised to the amounts shown in Exhibit B without further public notice and public hearing under Proposition 218 because such rates were noticed and heard under this current notice and hearing period. They will, however, be subject to City Council approval during the annual rates and fees adjustment process.

BACKGROUND

At the May 6, 2018 City Council meeting, the City Council accepted a Wastewater Utility Financial Plan and Rates Study ("Study"), and authorized City staff to move forward with sending notices to property owners, to open the legally required 45 day protest period, and to hold a public hearing to receive and count protest votes to ascertain whether a majority protest against the proposed sewer rates was achieved, all as required by and in compliance with Proposition 218.

Notices were mailed to all property owners in the City of San Leandro sewer service area on May 17, 2019, which allowed for more than the required 45-day protest period before the Public Hearing on July 15, 2019. The City Clerk kept a record of all protest notices received and will report on the total number of protest votes, including those made in person at the Public Hearing. City staff mailed 15,468 notices, so if fewer than 7,734 protests are received, the City Council is authorized under Proposition 218 to consider approving the proposed rates described in the notice.

As is typical when studies of this type propose changes to rates, the first year of the proposed rate

changes is primarily dedicated to fairly reallocating rates among classes of customers. The overall first year increase proposed by the Study was only slightly higher than the rates that the City Council authorized at its May 6, 2019 City Council meeting , which raised rates by a CPI of 3.87%. For this reason, some of the proposed rates are slightly lower than the rates already adopted by the City Council while others are slightly higher. In particular, residential customers would have a slight decrease in rates. Exhibit A shows Fiscal Year 2018-19 rates, Fiscal Year 2019-20 currently in effect, and the proposed rates for the next five years.

The proposed rates would be effective January 1, 2020. In future years, City Council would be authorized to raise rates up to the amounts shown in Exhibit B. Staff will calculate the authorized rate increase to meet the operational and fiscal goals as indicated in the Study and will present these to the City Council as part of the annual adjustments to rates and fees that start on July 1 of each year. If operational and fiscal needs for a particular year do not require the full rate amount authorized, customers would be charged only the amount required to meet the stated operational and fiscal need.

Previous Actions

- At the May 6, 2019 Council Meeting, Council passed Resolution Number 19-235 to adjust user fees and service charges effective July 1, 2019. Sewer rates and connection fees were increased by CPI of 3.87%.
- At the May 6, 2019 Council Meeting, Council passed Resolution Number 19-225 accepting the Wastewater Utility Financial Plan and Rates Study and directing staff to proceed with the processes and procedures to increase the sewer service rates as required by Proposition 218.

ATTACHMENTS

- Exhibit A: Summary of current and proposed sewer monthly rates
- Exhibit B: Maximum allowable increases for fiscal years 2021 through 2024.
- Wastewater Utility Financial Plan and Rates Study

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