



## STAFF REPORT

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**MEETING DATE:** June 28, 2023

**PRESENTER:** Josefina Alvarez, Finance Director

**SUBJECT:** Updated Residential Water Service – Reconnection Fee/Service Fee for Non-Payment of Water Service (JA)

**RECOMMENDATION:** Council by motion approve resolution adopting reconnection fee/service fee for non-payment of water service effective July 1, 2023.

### EXECUTIVE SUMMARY

The City maintains a Water Shutoff Policy for Non-Payment of Residential Water Service. However, in compliance with an Executive Order of the State of California, the City of Kerman enacted a moratorium on the termination of residential water service for non-payment during the COVID-19 pandemic. As water shutoffs for non-payment resume, staff recommends adopting an updated reconnection/service fee for non-payment of water service. If adopted, the updated fee will be effective July 1, 2023, and incorporated into the City's Schedule of User and Regulatory Fees.

A public hearing notice has been published in the Kerman News and on our City website.

### BACKGROUND

The fee is intended to maintain compliance with regulations imposed by the State of California relating to the termination of water utility services adopted via Senate Bill 998 (2017- 2018 Session), amending provisions of the California Health and Safety Code Sections 116900 through 116926, entitled the Water Shutoff Protection Act.

Additionally, the proposed fee is intended to comply with applicable federal, state and local laws including providing confirmation that the proposed fee/charge is not a tax as defined in Article 13C of the California Constitution and that the proposed fee/charge is no more than necessary to cover the reasonable costs of the City's activities and services addressed in the fee. Additionally, the manner in which the costs are allocated to a payor bear a fair and reasonable relationship to the payor's burdens on, or benefits received from the activities and services provided by the City.

### Current and Proposed Fee

- The City's current Reconnection/Service Fee for Non-Payment of Residential Water Service is \$15. This is significantly less than the City's cost of service.
- The proposed Reconnection/Service Fee for fee Non-Payment of Residential Water Service is:
  - For Reconnection/Service Provided During Regular Business Hours: \$50
  - For Reconnection/Service Provided During Non-Business Hours: \$150

Reconnection/Service Fee for Non-Payment of Residential Water Service					
Description	Current Fee	Cost of Service	Proposed Fee	Current Cost Recovery	Proposed Cost Recovery
For Reconnection / Service Provided During Regular Business Hours	\$15	\$108	\$50	14%	46%
For Reconnection / Service Provided During Non-Business Hours	\$15	\$206	\$150	7%	73%

**FISCAL IMPACT:**

Additional revenues expected from any fee collections are intended to offset the cost of providing existing services associated with those fee-related regulatory functions. Additional fee revenue is not intended to fund new services. Fairly allocating costs to the services provided and recovering some, or all, of these costs from service recipients creates value and predictability for City customers and reimburses the City for services provided to a single party, as compared to the public at large.

**ATTACHMENTS:**

- A. Resolution
- B. Illustration of Current and Proposed Fee
- C. Cost of Service Analysis

Attachment 'A'

**RESOLUTION NO 23-\_\_\_**

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF KERMAN ADOPTING RECONNECTION/SERVICE FEE FOR NON-PAYMENT OF WATER SERVICE**

WHEREAS, user and regulatory fees are established by the City Council; and

WHEREAS, the City recently completed a study to identify the cost of providing reconnection/services associated with non-payment of water service; and

WHEREAS, the study examined fee-related services provided by the City, the costs reasonably borne by the City in providing those services, the beneficiaries of those services, and the revenues produced by those paying fees and charges for special services; and

WHEREAS, the City Council hereby finds that the study provides adequate evidence to conclude that the revised fee(s) do not exceed the cost to provide the services for which the fees are charged; and

WHEREAS, the fee will be incorporated into the City's User and Regulatory Fee Schedule so that it can be periodically examined and adjusted, as necessary.

WHEREAS, the City Council desires that annually the City Manager may update the fees based on the annual percentage change in the all-urban Consumer Price Index for Los Angeles-Long Beach-Anaheim, CA (CPI). If the CPI does not change or goes down in a given year, no change shall be made to the fee schedule that year unless a public hearing is held to consider amendment of fees; and

WHEREAS, in adopting this Resolution, the City Council is taking action only on those fees for the services, programs or products set forth in Exhibit 'A' which have been modified from prior resolutions of the City Council. The remaining fees that have not been modified from prior resolutions shall remain in full force and effect.

NOW, THEREFORE, the City Council of the City of Kerman resolves as follows:

- Section 1. The foregoing recitals are true and correct and incorporated by reference.
- Section 2. The City Council hereby adopts the fees, charges, and rates as set forth in Exhibit 'A' and incorporated by this reference.
- Section 3. Annually the City Manager may update the fees based on the annual percentage change in the all-urban Consumer Price Index for Los Angeles-Long Beach-Anaheim, CA (CPI). If the CPI does not change or goes down in a given year, no change shall be made to the fee schedule that year unless a public hearing is held by the City Council to consider amendment of fees.
- Section 4. Any new or adjusted fees adopted by this Resolution shall go into effect July 1, 2023.

The foregoing resolution was introduced at a regular meeting of the City Council of the City of Kerman held on the 28<sup>th</sup> day of June 2023, and passed at said meeting by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

The foregoing resolution is hereby approved.

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Maria Pacheco  
Mayor

ATTEST:

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Marci Reyes  
City Clerk

Exhibit "A"

**City of Kerman**  
**PUBLIC WORKS FEES**

Description	Fee	Note
1 Reconnection/Service Fee for Non-Payment of Residential Water Service		
a) For Reconnection/Service Provided During Regular Business Hours	\$50	
b) For Reconnection/Service Provided During Non-Business Hours	\$150	

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## Attachment 'B'

### City of Kerman

#### BEFORE AND AFTER ILLUSTRATION - PUBLIC WORKS FEES

Activity Description	Current Fee	Proposed Fee	Increase / (Decrease)	Note
1 Reconnection/Service Fee for Non-Payment of Residential Water Service				
a) For Reconnection/Service Provided During Regular Business Hours	\$15	\$50	\$35	
b) For Reconnection/Service Provided During Non-Business Hours	\$15	\$150	\$135	

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# Attachment 'C'

City of Kerman  
 Public Works Fees  
 Cost of Service Calculation - At Fully-Burdened Hourly Rate

Fee Description	Est. Labor Hours			Hourly Rate		Cost of Service			Current Fee	Cost Recovery	Proposed Fee	Proposed Cost Recovery	Charge Basis	Note
	Customer Svc Rep	Wtr Maint Cust Svc	Est. Labor Hours	Customer Svc Rep	Wtr Maint Cust Svc	Customer Svc Rep	Wtr Maint Cust Svc	Total						
1 Reconnection/Service Fee for Non-Payment of Residential Water Service														
a) For Reconnection/Service Provided During Regular Business Hours	0.17	1.00	1.17 x	\$60	\$98	= \$10	\$98	\$108	\$15	14%	\$50	46%	each	
b) For Reconnection/Service Provided During Non-Business Hours	0.17	2.00	2.17 x	\$60	\$98	= \$10	\$196	\$206	\$15	7%	\$150	73%	each	

\* Hourly rates based on recently completed user and regulatory fee study (February 8, 2023).