



## STAFF REPORT

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**MEETING DATE:** December 13, 2023

**PRESENTER:** Josefina Alvarez, Finance Director

**SUBJECT:** Public Hearing for Proposed Increase in Water, Wastewater (Sewer) and Storm Drain Rates (JA)

**RECOMMENDATION:** Staff recommends:

1. Council open and conduct the Proposition 218 public hearing to receive staff report and written protests, objections, and public comments; and
2. Close the public hearing;
3. Direct the City Clerk to report on the number of written protests received; and

If a majority protest does not exist for the proposed water, sewer and storm drain increases, adopt resolution approving increases to water and sewer rates which will become effective February 1, 2024, directing a property owner election and ballot process for the proposed storm drain fee and ratifying the Proposition 218 process.

**EXECUTIVE SUMMARY:**

Council approved the Final Water, Sewer and Storm Drain report prepared by Lechowicz and Tseng (the Water, Sewer and Storm Drain consultants) on October 25, 2023. Staff mailed out Public Hearing Notices to all customers (tenants and property owners) on October 27, 2023, meeting the Proposition 218 forty-five (45) day requirement. On the October 25<sup>th</sup> meeting, Council also approved that the Public Hearing date to be set for December 13, 2023.

Staff held an informational meeting on November 30, 2023 at the Community Center from 6pm-8pm to provide all customers with a presentation explaining why rates needed to be increased and answer any questions the public may have. Both Spanish and Punjabi translations were provided. There was about 20 residents in attendance and the information meeting was a success.

This public hearing is the next step in the Proposition 218 process.

**Water and Sewer Rates.**

If there is no majority protest for the proposed water and sewer rates, the City Council may proceed to adopt the resolution adopting water and sewer rates which would become effective February 1, 2024. At the time of this staff report, the City Clerk and Finance Director only received one letter expressing concerns regarding the increase.

**Storm Drain Rates.**

Unlike the process for water and sewer, if there is not a majority protest, then the City must conduct an election of either the affected property owners/customers or the electorate residing in the affected area. The election shall be conducted not less than 45 days after the majority protest public hearing. Storm drain rates would be effective after the election.

The proposed water, sewer and storm drain Rates are as follows:

**Proposed Monthly Water Rates  
City of Kerman  
Utility Rate Study**

		Proposed Proposition 218								
		February 1, 2024			January 1, 2025			January 1, 2026		
Meter Size	Current	Base Fee	Meter Fee	Total Fee	Base Fee	Meter Fee	Total Fee	Base Fee	Meter Fee	Total Fee
3/4"	\$28.67	\$29.29	\$6.50	\$35.79	\$30.17	\$6.50	\$36.67	\$31.08	\$6.50	\$37.58
1"	\$43.81	\$44.80	\$7.15	\$51.95	\$46.14	\$7.15	\$53.29	\$47.52	\$7.15	\$54.67
1.5"	\$81.65	\$83.56	\$8.45	\$92.01	\$86.07	\$8.45	\$94.52	\$88.65	\$8.45	\$97.10
2"	\$127.07	\$130.08	\$9.75	\$139.83	\$133.98	\$9.75	\$143.73	\$138.00	\$9.75	\$147.75
3"	\$248.18	\$254.14	\$13.00	\$267.14	\$261.76	\$13.00	\$274.76	\$269.61	\$13.00	\$282.61
4"	\$384.43	\$393.70	\$16.25	\$409.95	\$405.51	\$16.25	\$421.76	\$417.68	\$16.25	\$433.93
6"	\$762.91	\$781.36	\$19.50	\$800.86	\$804.80	\$19.50	\$824.30	\$828.94	\$19.50	\$848.44
Volume Rate										
	\$1.27			\$1.33			\$1.37			\$1.41
(\$/1,000 gallons)										
DROUGHT RATES - Volume Rate (\$/1,000 gallons)										
10% Water Cutback				\$1.39			\$1.43			\$1.47
25% Water Cutback				\$1.51			\$1.55			\$1.60
40% Water Cutback				\$1.68			\$1.73			\$1.79
		Proposed Proposition 218								
		January 1, 2027			January 1, 2028					
Meter Size		Base Fee	Meter Fee	Total Fee	Base Fee	Meter Fee	Total Fee			
3/4"		\$32.01	\$6.50	\$38.51	\$32.97	\$6.50	\$39.47			
1"		\$48.95	\$7.15	\$56.10	\$50.42	\$7.15	\$57.57			
1.5"		\$91.31	\$8.45	\$99.76	\$94.05	\$8.45	\$102.50			
2"		\$142.14	\$9.75	\$151.89	\$146.40	\$9.75	\$156.15			
3"		\$277.70	\$13.00	\$290.70	\$286.03	\$13.00	\$299.03			
4"		\$430.21	\$16.25	\$446.46	\$443.12	\$16.25	\$459.37			
6"		\$853.81	\$19.50	\$873.31	\$879.42	\$19.50	\$898.92			
Volume Rate				\$1.45			\$1.49			
(\$/1,000 gallons)										
DROUGHT RATES - Volume Rate (\$/1,000 gallons)										
10% Water Cutback				\$1.52			\$1.56			
25% Water Cutback				\$1.65			\$1.70			
40% Water Cutback				\$1.84			\$1.89			

**Current and Proposed Sewer Rates**  
**City of Kerman**  
**Utility Rate Study**

Fixed Charges (\$/mo)	Current Rates	Proposed				
		1-Feb-24	1-Jan-25	1-Jan-26	1-Jan-27	1-Jan-28
<b>Residential</b>						
Base	\$15.53	\$15.79	\$17.05	\$18.41	\$19.88	\$21.47
Flow	<u>\$19.12</u>	<u>\$20.72</u>	<u>\$22.38</u>	<u>\$24.17</u>	<u>\$26.10</u>	<u>\$28.19</u>
Total	\$34.65	\$36.51	\$39.43	\$42.58	\$45.98	\$49.66
<b>Multi-Family Unit</b>						
Base	\$15.53	\$15.79	\$17.05	\$18.41	\$19.88	\$21.47
Flow	<u>\$10.75</u>	<u>\$15.54</u>	<u>\$16.78</u>	<u>\$18.12</u>	<u>\$19.57</u>	<u>\$21.14</u>
Total	\$26.28	\$31.33	\$33.83	\$36.53	\$39.45	\$42.61
Commercial (Base)	\$15.53	\$15.79	\$17.05	\$18.41	\$19.88	\$21.47
<b>Commercial Volume Rates (\$/1,000 gal)</b>						
Low Strength	\$2.39	\$2.59	\$2.80	\$3.02	\$3.26	\$3.52
Medium Strength	\$2.75	\$2.98	\$3.22	\$3.48	\$3.76	\$4.06
High Strength	\$3.18	\$3.44	\$3.72	\$4.02	\$4.34	\$4.69

**Proposed Monthly Storm Drain Rates**  
**City of Kerman**  
**Utility Rate Study**

Customer Class	Current		Proposed					
			1-Apr-24	1-Jan-25	1-Jan-26	1-Jan-27	1-Jan-28	
Single Family	per account	\$1.60	per account	\$1.42	\$1.46	\$1.50	\$1.55	\$1.60
Multi-Family	per account	\$1.60	per acre	\$10.36	\$10.67	\$10.99	\$11.32	\$11.66
Commercial	per account	\$1.60	per acre	\$11.85	\$12.21	\$12.58	\$12.96	\$13.35
Industrial	per account	\$1.60	per acre	\$13.33	\$13.73	\$14.14	\$14.56	\$15.00
Church	per account	\$1.60	per acre	\$7.40	\$7.62	\$7.85	\$8.09	\$8.33
Schools	per account	\$1.60	per acre	\$4.44	\$4.57	\$4.71	\$4.85	\$5.00
Parks	per account	\$1.60	per acre	\$1.48	\$1.52	\$1.57	\$1.62	\$1.67

**FISCAL IMPACT:**

The proposed fees, if adopted, would generate an increase to all three funds to help maintain all infrastructure, operations and maintenance, new and ongoing capital projects, debt obligations and help maintain a healthy reserve balance for emergencies.

**ATTACHMENTS:**

- A. Resolution Adopting Water and Sewer Rate Increases, Commencing February 1, 2024, Authorizing a Storm Drain Election and Ballot Process for the Storm Drain Rates and Ratifying Proposition 218 Process w/Exhibit

Attachment 'A'

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

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF KERMAN FINDING NO MAJORITY PROTESTS FOR WATER, SEWER, AND STORM DRAIN RATES; ADOPTING WATER AND SEWER RATE INCREASES COMMENCING FEBRUARY 1, 2024, AUTHORIZING A STORM DRAIN ELECTION AND BALLOT PROCESS FOR THE STORM DRAIN RATES AND RATIFYING PROPOSITION 218 PROCESS**

WHEREAS, the City of Kerman ("City") operates municipal water, sewer, and storm drain utilities providing service to residential, commercial and industrial customers; and

WHEREAS, City Staff and the City Council have analyzed the revenue and expenditure requirements for all of the City Enterprise Funds to determine the appropriate rate changes needed to meet these requirements; and

WHEREAS, water and sewer rates are proposed as listed in the Water, Sewer and Storm Drain Rate Study Final Report as **Exhibit 'A'** which was approved by the Council on October 25, 2023; and

WHEREAS, City staff prepared and mailed a notice of public hearing to all property owners and tenants served by the City, as required by Proposition 218 (Cal. Const. Art. XIII, 6); and

WHEREAS, the notice of public hearing instructed tenants and property owners on how and where to protest the proposed increase in water, sewer and storm drain service rates and the notice was developed in accordance with Proposition 218; and

WHEREAS, the notice of public hearing on the proposed increase of rates was published in the local newspaper and in a separate mailing to all Kerman utilities' customers and property owners, with the newspaper publication and the separate mailing occurring at least 45 days prior to the public hearing; and

WHEREAS, the adoption of the proposed rate increases for water and sewer is exempt from California Environmental Quality Act (CEQA) under the California Public Resources Code Section 21080(b)(8); and

WHEREAS, the Council held a public hearing on December 13, 2023 and considered all a staff report, testimony, and protests regarding the increased utility rates; and

WHEREAS, at the public hearing the City did not receive written or verbal protests from a majority of the identified customers that would be subject to the proposed rates;

WHEREAS, the Council desires to proceed with the adoption of the new water and sewer rates; and

WHEREAS, the Council desires to initiate the ballot and election process for storm drain rates.

NOW THEREFORE BE IT RESOLVED by the City Council of the City of Kerman that based upon the foregoing recitals and information and testimony presented at the hearing of December 13, 2023, including attachments to the Report to the Council, the Council hereby resolves as follows:

- Section 1. The above recitals are true and correct and are incorporated by reference.
- Section 2. Finds that insufficient written protests were presented to prevent the proposed increased rates to water and sewer from being adopted; and
- Section 3. Finds that insufficient written protests were presented and thereby directs that an election and ballot process be initiated for storm drain rates;
- Section 4. Finds the adoption of the proposed utility services charges is exempts from CEQA under the California Public Resources Code 2010(b)(8); and
- Section 5. Ratifies the Proposition 218 process followed by the City; and
- Section 6. Adopts rates for water and sewer as listed in **Exhibit 'A'** attached hereto and incorporated by reference herein. The water and sewer rates shall become effective February 1, 2024. Rates for each subsequent year shall become effective on January 1<sup>st</sup> of each year thereafter.
- Section 6. Initiates the Storm Drain Election and Ballot Process.
- Section 7. All resolutions in conflict with this resolution are repealed.
- Section 8. If any section, subsection, sentence, clause, phrase or portion of this Resolution is for any reason held invalid or unconstitutional by a court of competent jurisdiction, such decision shall not affect the validity of the remaining portions of the Resolution. The Council declares that it would have adopted the Resolution and each section, subsection, sentence, clause, phrase or portion thereof, irrespective of the fact than any one or more sections, subsections, sentences, clauses, phrases, or portions is declared invalid or unconstitutional.
- Section 9. This resolution shall become effective upon adoption.

The foregoing resolution was approved by the City Council to the City of Kerman at a regular meeting held on the 13th, day of December 2023 and adopted 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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Josie Camacho  
Interim City Clerk