



## City Council Staff Report

Date: July 7, 2010

PUBLIC HEARING

Subject: PROPOSITION 218 MAJORITY PROTEST HEARING ON THE MATTER OF INCREASING SEWER SERVICE CHARGES

From: David H. Ready, City Manager

Initiated by: Public Works and Engineering Department

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### SUMMARY

On April 21, 2010, the City Council reviewed and approved a comprehensive 20-year, \$67,000,000 Capital Repair and Rehabilitation Plan, commonly referred to as a Capital Improvement Plan ("CIP") for the City's wastewater treatment plant ("WWTP"). The City Council also reviewed and approved the corresponding Wastewater Financial Plan and Rate Study ("Rate Study"), authorized staff to proceed with Proposition 218 majority protest noticing, and scheduled a Public Hearing for June 16, 2010, to consider the matter of increasing sewer service charges in accordance with the Rate Study. The Public Hearing was opened on June 16 and continued to July 7, 2010. This item is the Majority Protest Hearing at which time the City Council can consider the protests received, and in accordance with Proposition 218, approve and adopt increased sewer service charges.

### RECOMMENDATION:

- 1) Open the Public Hearing and receive public testimony; and
- 2) Close the Public Hearing, consider protests received and determine if a majority protest has occurred pursuant to Proposition 218; and
- 3) On the basis that a majority protest has not occurred, consider and approve the adoption of increased sewer service charges as follows:

Year 1 (2010/2011): \$10.36 to \$14 per Equivalent Dwelling Unit ("EDU")

Year 2 (2011/2012): \$14 to \$17 per EDU

Year 3 (2012/2013): \$17 to \$20 per EDU

Year 4+ (2013/2014): \$20 to \$21 per EDU increasing to \$35 per EDU maximum by 2028/2029

- 4) Implement a revised sewer service charge rate structure for residential properties for the 2010/2011 fiscal year as follows:

Single Family Residential ("SFR") and Condominium Units = 1.0 EDU  
Multi-Family Residential Apartment Units = 0.75 EDU

Resulting in a reduced increase to the monthly sewer service charge for multi-family apartment units as follows:

Year 1 (2010/2011): SFR/Condo = \$14  
Year 1 (2010/2011): Apartments = \$10.50

- 5) Direct staff to initiate a study of the sewer service charge rate structure to determine appropriate equivalent dwelling unit ("EDU") relations by type, with Multi-Family Residential Apartment Units established at a rate of 0.75 EDU or less, to be implemented permanently for the 2011/2012 and subsequent fiscal years.

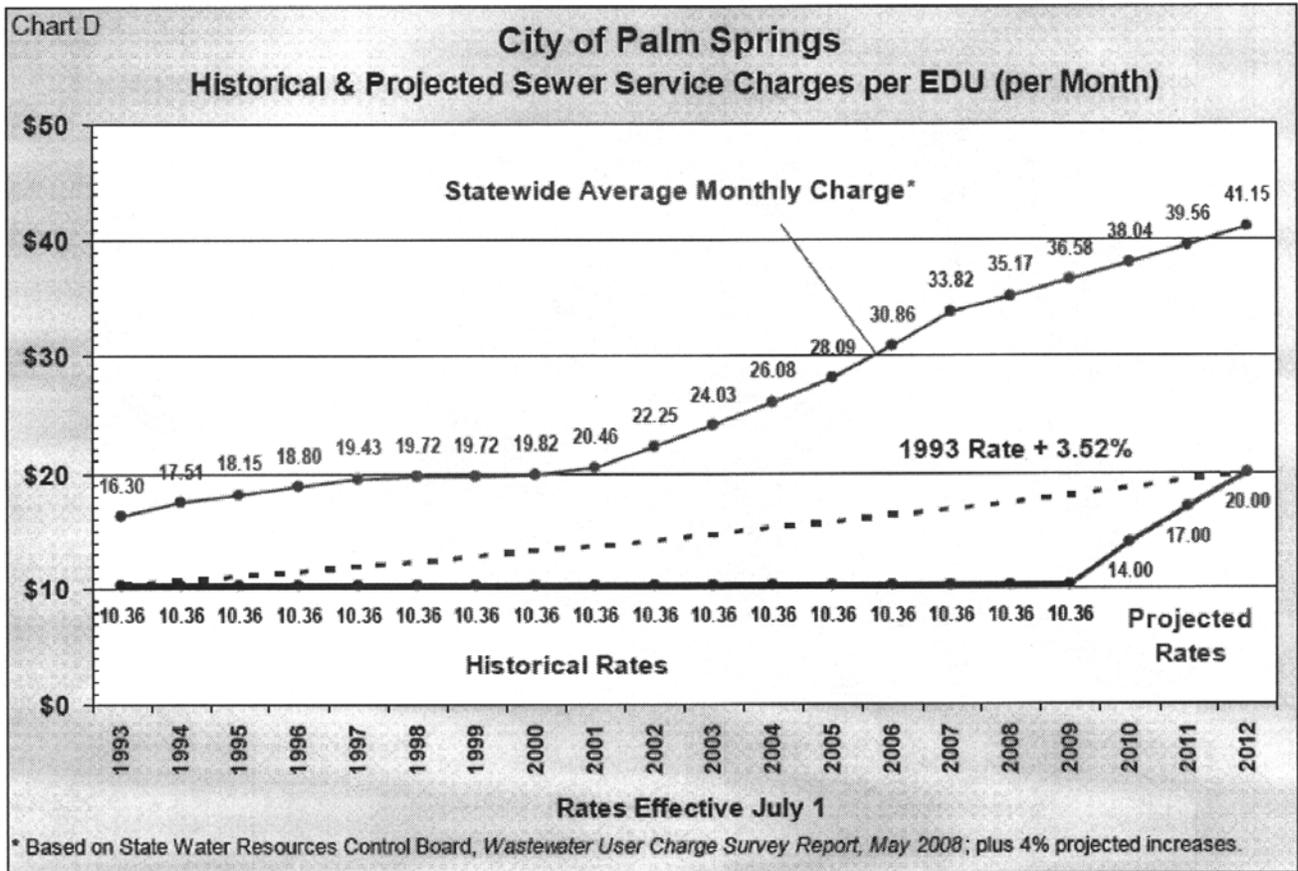
#### STAFF ANALYSIS:

On April 21, 2010, the City Council took action on several items related to the City's WWTP. A full and complete copy of the April 21, 2010, staff report is included as Attachment 1. The City Council approved the 20-year WWTP CIP, which identified \$58,000,000 in capital projects at the WWTP and \$9,000,000 in future collection system upsizing, for a total capital investment of \$67,000,000. The City Council unanimously agreed with the need to invest in the City's WWTP as outlined in the 20-year CIP, and emphasized a desire to prioritize the capital projects that will mitigate odors generated at the WWTP (primarily, a new headworks and primary clarifier system, and new solids handling processes).

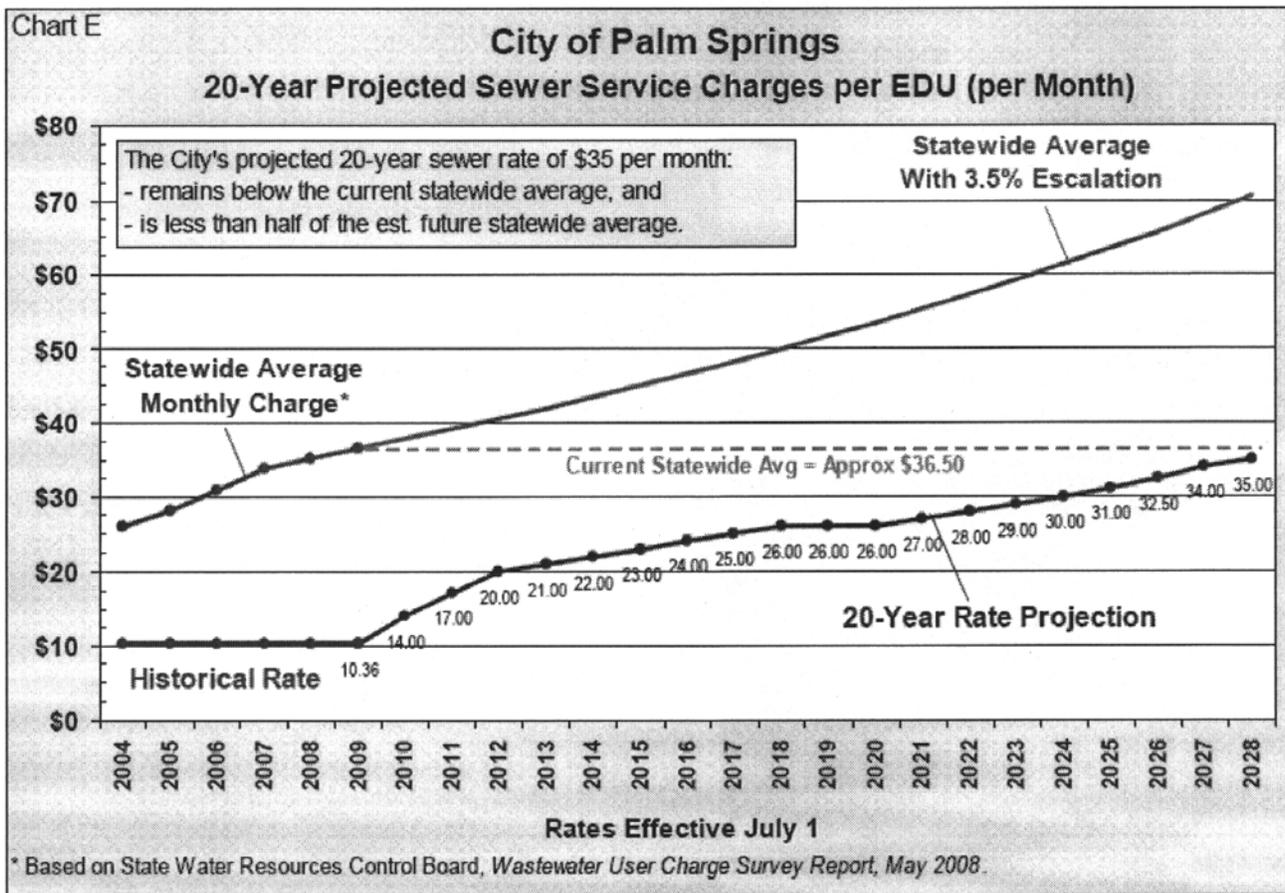
On June 16, 2010, the City Council opened the Public Hearing and took testimony related to the recommended increase to monthly sewer service charges. The Public Hearing was continued to July 7, 2010.

The City's current monthly sewer service charge of \$10.36 per equivalent dwelling unit ("EDU") has not changed since 1993, and is insufficient to fund the 20-year WWTP CIP, or future operating and maintenance ("O&M") expenses of the WWTP, escalating utility costs, and other wastewater fund expenses. The Rate Study reviewed the 20-year WWTP CIP and determined that the City can appropriately finance the recommended capital projects, as well as on-going O&M expenditures associated with the WWTP, by initially increasing the current monthly sewer service charge of \$10.36 per EDU to \$20 per EDU over three years, and subsequently at a rate of approximately \$1 per EDU per year to a maximum monthly rate of \$35 per EDU by 2028.

As noted in the April 21, 2010, staff report, the recommendation to increase the monthly sewer service charge to a maximum of \$35 per EDU by 2028 would establish it at a rate in 2028 that is below the 2009 statewide average of \$36.58 per EDU. The following chart shows the recommended initial 3-year phase in of the sewer service charge increase in comparison to the annual statewide average:



The following chart shows the recommended long-term phase in of the monthly sewer service charge increase to the suggested maximum of \$35 per EDU in comparison to the annual statewide average:



### “Pay As You Go” or Deb Servicing?

The wastewater fund currently carries no debt, and therefore, has no annual debt service payments. As indicated in the April 21, 2010, staff report, to determine how debt servicing might reduce any required sewer service charge increases, the Rate Study analyzed alternative financial projections. The alternative analysis in the Rate Study indicates that debt could be strategically used to result in a more gradual phase in of rate increases, especially in the near term. For example, with debt financing monthly sewer service charges could be gradually increased to a level equal to \$20 per EDU over 5 years, as opposed to over 3 years without debt financing. However, with debt financing higher rate increases over the long term would be required (to a maximum of monthly rate of \$38 per EDU by 2028), to generate approximately \$3,000,000 more per year for annual debt service payments until the debt was gradually paid off. Therefore, the alternative analysis in considering \$38,000,000 in debt financing of the \$67,000,000 20-year WWTP CIP demonstrated these important facts to consider:

1. The initial increase of sewer service charges from \$10.36 per EDU to \$20 could be phased-in over 5 years instead of 3 years.
2. Annual debt service payments of \$320,000 would begin in 2011, increasing to \$3,040,000 by 2025.

3. Monthly sewer service charges would need to increase to \$35 per EDU by 2026 to a maximum of \$38 per EDU by 2028.

Staff discussed the 20-Year WWTP CIP and Rate Study with the City Council WWTP subcommittee (Mills and Weigel) prior to presenting the information to the City Council on April 21, 2010. Staff recommended, and the City Council WWTP subcommittee agreed, that debt financing of the 20-year WWTP CIP should not be considered strictly as a means of prolonging the initial phase-in of the sewer service charge increase, as it does not appreciably lengthen the period of time, and debt financing ultimately requires a higher sewer service charge in the long term to cover annual debt service payments.

It was staff's recommendation that the initial 3-year phase in of monthly sewer service charge increases from \$10.36 to \$20 per EDU, with additional annual rate increases of approximately \$1 per EDU to a maximum of \$35 per EDU by 2028 be approved. This recommendation was included in the Proposition 218 noticing, and is summarized in the following chart:

<b>TABLE 10 - PROJECTED MONTHLY SEWER SERVICE CHARGES</b>					
<b>Cusotmer Class</b>	<b>Billing Unit</b>	<b>Effective Date July 1</b>			
		<b>Current</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
Residential	Per unit	\$10.36	\$14.00	\$17.00	\$20.00
Commercial & Industrial	Per fixture unit	1.02	1.38	1.68	1.98
	Minimum charge	10.36	14.00	17.00	20.00
Hotel - Rooms Without Kitchens	Base charge +	10.36	14.00	17.00	20.00
	Per room	3.53	4.77	5.79	6.81
Hotel - Rooms With Kitchens	Per room	6.81	9.20	11.17	13.14
Mobile Home Parks	Per unit +	10.36	14.00	17.00	20.00
	Per fixture unit	1.02	1.38	1.68	1.98
Recreational Vehicle Parks	Per space +	2.54	3.43	4.17	4.91
	Per fixture unit	1.02	1.38	1.68	1.98
<b>Septage Dumping Fee</b>					
<i>For loads up to 1,000 gallons</i>					
Within City limits	Per load	35.00	47.30	57.44	67.58
Outside City limits	Per load	70.00	94.59	114.86	135.13
<b>Properties Adjacent to City</b>					
<i>Rates for customers outside of City limits are 150% of the standard established rates</i>					
Sewer Permit Fee	Per application	1,000.00	1,351.35	1,640.93	1,930.51
<i>For discharging septage at the City's Wastewater Treatment Plant</i>					

*Small annual rate increases of roughly \$1 per month per residence or EDU projected for future years.*

Subsequent small increases were recommended annually to the maximum of \$35 per EDU by 2028, as shown in the following Table:

**TABLE 11 - LONG-TERM PROJECTION OF MONTHLY SEWER SERVICE CHARGES**

Customer Class	Billing Unit	Monthly Rates Effective July 1											
		Current	2010	2011	2012	2013	2014	2015	2016	2017	2018		
Residential	Per unit	\$10.36	\$14.00	\$17.00	\$20.00	\$21.00	\$22.00	\$23.00	\$24.00	\$25.00	\$26.00		
Commercial & Industrial	Per fixture unit	1.02	1.38	1.68	1.98	2.08	2.18	2.28	2.38	2.48	2.58		
	Minimum charge	10.36	14.00	17.00	20.00	21.00	22.00	23.00	24.00	25.00	26.00		
Hotel - Rooms Without Kitchens	Base charge +	10.36	14.00	17.00	20.00	21.00	22.00	23.00	24.00	25.00	26.00		
	Per room	3.53	4.77	5.79	6.81	7.15	7.49	7.93	8.17	8.51	8.85		
Hotel - Rooms With Kitchens	Per room	6.81	9.20	11.17	13.14	13.80	14.46	15.12	15.78	16.44	17.10		
	Per unit +	10.36	14.00	17.00	20.00	21.00	22.00	23.00	24.00	25.00	26.00		
Mobile Home Parks	Per fixture unit	1.02	1.38	1.68	1.98	2.08	2.18	2.28	2.38	2.48	2.58		
	Per space +	2.54	3.43	4.17	4.91	5.16	5.41	5.66	5.91	6.16	6.41		
Recreational Vehicle Parks	Per fixture unit	1.02	1.38	1.68	1.98	2.08	2.18	2.28	2.38	2.48	2.58		
	Septage Dumping Fee												
For loads up to 1,000 gallons	Within City limits	35.00	47.30	57.44	67.58	70.96	74.34	77.72	81.10	84.48	87.86		
	Outside City limits	70.00	94.60	114.88	135.16	141.92	148.68	155.44	162.20	168.96	175.72		
Properties Adjacent to City													
Rates for customers outside of City limits are 100% of the standard established rates													
Sewer Permit Fee	Per application	1,000.00	1,351.35	1,640.93	1,930.51	2,027.04	2,123.57	2,220.10	2,316.63	2,413.16	2,509.69		
For discharging septage at the City's Wastewater Treatment Plant													

Customer Class	Billing Unit	Monthly Rates Effective July 1											
		2019	2020	2021	2022	2023	2024	2025	2026	2027	2028		
Residential	Per unit	\$26.00	\$26.00	\$27.00	\$28.00	\$29.00	\$30.00	\$31.00	\$32.50	\$34.00	\$35.00		
Commercial & Industrial	Per fixture unit	2.58	2.58	2.68	2.76	2.88	2.98	3.08	3.23	3.36	3.48		
	Minimum charge	26.00	26.00	27.00	28.00	29.00	30.00	31.00	32.50	34.00	35.00		
Hotel - Rooms Without Kitchens	Base charge +	26.00	26.00	27.00	28.00	29.00	30.00	31.00	32.50	34.00	35.00		
	Per room	8.85	8.85	9.19	9.53	9.87	10.21	10.55	11.06	11.57	11.91		
Hotel - Rooms With Kitchens	Per room	17.10	17.10	17.76	18.42	19.08	19.74	20.40	21.39	22.38	23.04		
	Per unit +	26.00	26.00	27.00	28.00	29.00	30.00	31.00	32.50	34.00	35.00		
Mobile Home Parks	Per fixture unit	2.58	2.58	2.68	2.76	2.88	2.98	3.08	3.23	3.36	3.48		
	Per space +	6.41	6.41	6.66	6.91	7.16	7.41	7.66	8.03	8.40	8.65		
Recreational Vehicle Parks	Per fixture unit	2.58	2.58	2.68	2.76	2.88	2.98	3.08	3.23	3.36	3.48		
	Septage Dumping Fee												
For loads up to 1,000 gallons	Within City limits	87.86	87.86	91.24	94.62	98.00	101.38	104.76	109.83	114.90	118.28		
	Outside City limits	175.72	175.72	182.48	189.24	196.00	202.76	209.52	219.66	229.80	236.56		
Properties Adjacent to City													
Rates for customers outside of City limits are 150% of the standard established rates													
Sewer Permit Fee	Per application	2,509.69	2,509.69	2,606.22	2,702.75	2,799.28	2,895.81	2,992.34	3,137.13	3,281.92	3,378.45		
For discharging septage at the City's Wastewater Treatment Plant													

### **Debt Financing of Priority 1 Projects Only?**

One option for the City Council to consider is to raise sewer service charges in an amount necessary to fund only those projects listed under Priority 1 (Years 1-5) of the 20-year WWTP CIP. The priority projects consist of those that are critical to the on-going operation of the WWTP, including: new electrical system, new headworks, new primary clarifier, new primary pump station, and new secondary clarifier, among others. The value of Priority 1 projects is over \$20,000,000.

To confirm the findings of the alternative analysis performed in the Rate Study, staff coordinated with the City's Financial Advisor, Suzanne Harrell (Harrell & Company Advisors), on preliminary sewer service charge projections considering debt financing of \$20,000,000 Priority 1 WWTP projects only. Suzanne's projections resulted in required sewer service charge increases (per EDU) as follows:

Year 1 (2010/2011): \$10.36 to \$12.86 (\$2.50 increase)  
Year 2 (2011/2012): \$12.86 to \$15 (\$2.14 increase)

Although the two-year phase in of monthly sewer service charges to \$15 per EDU would generate sufficient revenue to issue debt financing of \$20,000,000 paid over a subsequent 20-year period, additional sewer service charge increases would be required to fund increases to future O&M expenses. In addition to the increase to \$15 noted above, additional annual increases for Years 2 through 8 would be required, such that a total sewer service charge of \$20.44 is reached by 2019 to satisfy debt financing and O&M expenses.

However, the wastewater enterprise would incur annual debt payments of \$1,860,000 until 2031 as the debt is paid off. Ultimately, the wastewater enterprise would incur over \$35,000,000 in debt payments to satisfy the \$20,000,000 debt issue; and the other Priority 2, 3 and 4 WWTP CIP projects would be postponed or deferred until sewer service charges were increased again. Therefore, focusing on funding for only Priority 1 projects with debt financing does not appreciably lower the required sewer service charge increase, and does not address other priority WWTP projects that will ultimately be necessary in the long term.

### **Proposition 218**

Proposition 218, the "Right to Vote on Taxes Act", was approved by California voters in November 1996 and is codified as Articles XIII C and XIII D of the California Constitution. Proposition 218 establishes requirements for imposing or increasing property related taxes, assessments, fees and charges. For many years, there was no legal consensus on whether water and sewer rates met the definition of "property related fees". In July 2007, the California Supreme Court essentially confirmed that Proposition 218 applies to water rates. The prevailing legal consensus is that Proposition 218 also applies to wastewater rates.

Proposition 218 establishes certain procedural requirements for adopting rate increases. These requirements include:

- **Noticing Requirement:** The City must mail a notice of proposed rate increases to all affected property owners. The notice must specify the basis of the fee, the reason for the fee, and the date/time/location of a public rate hearing at which the proposed rates will be considered for adoption.
- **Public Hearing:** The City must hold a public hearing prior to adopting the proposed rate increases. The public hearing must be held not less than 45 days after the required notices are mailed.
- **Rate Increases Subject to Majority Protest:** At the public hearing, the proposed rate increases are subject to majority protest. If more than 50% of affected property owners submit written protests against the proposed rate increases, the increases cannot be adopted by the City Council.

Pursuant to the City Council's authorization, on April 30, 2010, 26,296 Proposition 218 Majority Protest Hearing notices were mailed to all property owners and rate payers who receive sewer service from the City of Palm Springs. The notices were mailed to the owner of the property receiving sewer service, as indicated on the latest Riverside County tax rolls in accordance with state law. The pertinent section of law the City is required to follow is California Government Code Section 53755, which states:

*(a) (1) The notice required by paragraph (1) of subdivision (a) of Section 6 of Article XIII D of the California Constitution of a proposed increase of an existing fee or charge for a property-related service being provided to a parcel may be given by including it in the agency's regular billing statement for the fee or charge or by any other mailing by the agency to the address to which the agency customarily mails the billing statement for the fee or charge. (2) The notice required by paragraph (1) of subdivision (a) of Section 6 of Article XIII D of the California Constitution of a proposed new fee or charge may be given in the manner authorized for notice of an increase of a fee or charge if the agency is currently providing an existing property-related service to the address. (3) If the agency desires to preserve any authority it may have to record or enforce a lien on the parcel to which service is provided, the agency shall also mail notice to the record owner's address shown on the last equalized assessment roll if that address is different than the billing or service address.*

*(b) One written protest per parcel, filed by an owner or tenant of the parcel, shall be counted in calculating a majority protest to a proposed new or increased fee or charge subject to the requirements of Section 6 of Article XIII D of the California Constitution.*

*(c) Any agency that bills, collects, and remits a fee or charge on behalf of another agency may provide the notice required by Section 6 of Article XIII D of the California Constitution on behalf of the other agency.*

(Note, Proposition 218 once enacted was codified into state law as Section 6 of Article XIII D of the California Constitution, as referenced in the cited Government Code).

In accordance with Section (b) of the cited Government Code, one written protest, filed by an owner or tenant of a parcel receiving sewer service, shall be counted in determining if a majority protest exists. Section 6(a)(2) of Article XIII D of the California Constitution (Proposition 218) outlines the procedures for increased property related fees or charges, and states:

*(2) The agency shall conduct a public hearing upon the proposed fee or charge not less than 45 days after mailing the notice of the proposed fee or charge to the record owners of each identified parcel upon which the fee or charge is proposed for imposition. At the public hearing, the agency shall consider all protests against the proposed fee or charge. If written protests against the proposed fee or charge are presented by a majority of owners of the identified parcels, the agency shall not impose the fee or charge.*

Thus, Proposition 218 would require that the City receive written protests from a majority of the 26,296 parcels that received a Proposition 218 Notice. As of the writing of this report, the City Clerk had received 54 written protests (or 0.21%), well below the legal threshold of 13,149 (or 50.01%). Therefore, the City Council is empowered to approve and adopt increases to the City's monthly sewer service charges as indicated in the Proposition 218 Notice (increasing from \$10.36 to \$20 per EDU over an initial 3-year period, and subsequently to a maximum of \$35 per EDU by 2028), or such other increases not exceeding the increases noted in the Proposition 218 Notice.

### **Protests to Increased Sewer Service Charges**

Staff recognizes that the current economy is not conducive to raising sewer service charges, and the protests received have legitimately raised this issue. The suggested initial three-year increase of \$10.36 per month to \$20 per month doubles the sewer service charge over a three year period. The Rate Study demonstrated that the City's currently low rates require a substantial increase in order to establish sufficient reserves to fund the critical capital projects identified in the first 5-year period (estimated at over \$20,000,000). As indicated earlier in this report, alternative analysis performed in the Rate Study evaluated the use of debt financing to offset the required initial rate increase. The alternative analysis, assuming \$38,000,000 in debt financing over the 20-year period, continued to demonstrate that the required initial rate increase remains substantial, with the initial rate increase to \$20 per month occurring over a 5 year period rather than 3 years. Subsequent financial analysis of \$20,000,000 debt financing for Priority 1 WWTP

projects only revealed that the initial rate increase to \$20.44 would be required within 8 years, and does not address the entire 20-year WWTP CIP.

Staff has met with representatives of a membership of apartment complex owners regarding the proposed rate increases on three separate occasions.<sup>1</sup> They have indicated to staff that the substantial rate increases will harm some apartment complex owners who otherwise have no ability to recover the increased charges, in their opinion, due to the fact that apartment vacancies remain high. They have requested that the City Council defer adopting the recommended sewer service charge increases and that less substantial increases be considered. One of their suggestions is to use a hybrid approach to funding the 20-year WWTP CIP using debt financing rather than a “pay as you go” approach. However, as has been demonstrated, debt financing does not lower the required rate increases and actually requires a higher monthly maximum rate (\$38 per EDU) in the long term.

Staff has provided balance sheets for the wastewater fund and other financial data to the representatives as requested. In staff’s last meeting with the representatives on June 24, 2010, staff proposed the currently recommended option related to increasing sewer service charges, which effectively reduces the first year rate increase to \$0.14 per month for apartment units. Staff recommends that the City Council consider the option recommended, or direct staff as appropriate. It should be noted that a further continuance of the item beyond July 7 may not provide staff sufficient time to provide the revised sewer service charges to Riverside County to coordinate levying them on the 2010/2011 tax roll.<sup>2</sup>

### Options to Consider

1. Adopt increases to the sewer service charges as originally recommended:  
Year 1: \$10.36 to \$14  
Year 2: \$14 to \$17  
Year 3: \$17 to \$20  
Year 4+: \$20 plus \$1 annually (on average) to \$35 maximum by 2028
2. Adopt increases to the sewer service charges considering a hybrid approach, using a combination of “pay as you go” and debt service financing to reduce the initial required increase, as follows:  
Year 1: \$10.36 to \$12.50  
Year 2: \$12.50 to \$14  
Year 3: \$14 to \$16

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<sup>1</sup> Jim Jones and Tim Radigan; June 2, 15 and 24, 2010

<sup>2</sup> The Riverside County Assessor requires property-related charges to be submitted in August for levying on the 2010/2011 tax roll. In the event staff is unable to submit increased sewer service charges to the County in time for levying on the next tax roll, it would be necessary to defer all unbudgeted WWTP CIP projects one year.

Year 4: \$16 to \$18  
Year 5: \$18 to \$20  
Year 6+: \$20 plus \$1 annually (on average) to \$35 maximum by 2028

It should be noted that the alternative analysis in the Rate Study demonstrated that the maximum monthly rate would need to be \$38 per EDU by 2028; however, legally the City is limited to adopting a maximum monthly rate of \$35 per EDU by 2028 as this was the maximum rate indicated in the Proposition 218 Notice. This would require that some WWTP projects be deferred as necessary for the lower maximum sewer service charge rate to sufficiently fund an overall reduced indebtedness (the lower maximum rate would not allow the City to incur up to \$38,000,000 indebtedness included in the alternative analysis of the Rate Study).

3. Adopt increases to the sewer service charges considering a hybrid approach, using a combination of “pay as you go” and debt service financing, but reduce the initial required increase to sewer service charges by distributing the overall required increases over the 18-year period (2010 to 2028) equivalent to 7% annually, and generally defer all unbudgeted WWTP CIP projects until sufficient funding is available (through reserves or debt financing), as follows:

Year 1: \$10.36 to \$11.09	Year 10: \$19.05 to \$20.38
Year 2: \$11.09 to \$11.86	Year 11: \$20.38 to \$21.81
Year 3: \$11.86 to \$12.69	Year 12: \$21.81 to \$23.33
Year 4: \$12.69 to \$13.58	Year 13: \$23.33 to \$24.97
Year 5: \$13.58 to \$14.53	Year 14: \$24.97 to \$26.71
Year 6: \$14.53 to \$15.55	Year 15: \$26.71 to \$28.58
Year 7: \$15.55 to \$16.64	Year 16: \$28.58 to \$30.58
Year 8: \$16.64 to \$17.80	Year 17: \$30.58 to \$32.73
Year 9: \$17.80 to \$19.05	Year 18: \$32.73 to \$35.00

This option requires 10 years of annual increases to occur until sewer service charges reach the monthly rate of \$20 per EDU. This option would delay Priority 1 WWTP CIP projects 5 years or more until rates are high enough to provide revenue to pay debt financing on those projects. Ultimately, completion of the 20-year WWTP CIP would be delayed 10 years or more (beyond the 20 year program) given an inability to bond as much as was assumed in the alternative analysis in the Rate Study (\$38,000,000) which demonstrated monthly sewer service charges would need to be \$20 per EDU by Year 5 and \$38 per EDU by 2028 in order to complete the 20-year WWTP CIP in 20 years.

4. Adopt an increase to the sewer service charges as directed; and direct staff to reevaluate the City’s existing sewer service charge rate structure which may include consideration of the following issues:

- i) Segregate the “residential customer class” by type (single family home, condominium unit or apartment unit) to determine appropriate equivalent dwelling unit (“EDU”) relations by type.
- ii) Consider domestic water consumption as metered by DWA to correlate sewer service charges for residential and/or commercial users.
- iii) Reevaluate all equivalent dwelling unit (“EDU”) assignments by user type.

The City’s existing sewer service charge rate structure (shown as Table 10 on Page 5 of this staff report) has not been changed in many years. The rate structure defines all residential customers (single family, multi-family and mobile home parks) as the same EDU, in this case each residential use is 1.0 EDU. Some wastewater utilities establish multi-family use at a rate less than 1.0 EDU. For example, Mission Springs Water District (“MSWD”) currently charges a monthly rate of \$22.43 for sewer service for single family residential (“SFR”), and a monthly rate of \$17.18 for multi-family units (about 25% less than SFR).

It is common for sewer service charges to be established at a rate dependent upon the volume of domestic water used, on the basis that much of the water used passes through the wastewater system. Both MSWD and the Coachella Valley Water District (“CVWD”) charge residential customers a flat monthly rate, but charge commercial customers rates based on the volume of their domestic water use. It should be noted that this option would require that DWA, a separate governmental agency, coordinate with and make available its individual metering data to the City, and would not be feasible without their participation.

It should also be noted that, with any reevaluation of the City’s current rate structure where changes to EDU assignments by residential use type occur, some users would see their rates decrease (it has been suggested that multi-family residential use should be assigned an EDU less than that for SFR); while others (commercial users) would see their rates increase above what has already been proposed. Having some user rates decrease and others increase is a result of the need to maintain the overall gross wastewater fund revenue to the City to cover the projected expenditures analyzed in the Rate Study. Therefore, in considering a new rate structure which reassigns EDU by user type, and where certain properties would see an overall rate increase, the City would be required to initiate new Proposition 218 proceedings to implement the revised rate structure as the subject of this Majority Protest Hearing is limited to the City’s current rate structure as indicated in the Proposition 218 Notice.

6. Direct staff as appropriate.

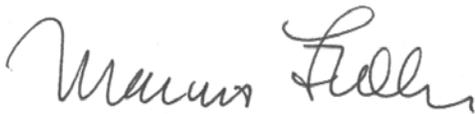
FISCAL IMPACT:

The wastewater fund does not have sufficient reserves to fund the significant capital improvements at the WWTP that are recommended over the next 20 years. On-going O&M expenditures will soon exceed annual revenue, requiring General Fund subsidy in

the absence of any increase to sewer service charges. The Rate Study has demonstrated that funding the recommended 20-year WWTP CIP will require increases to the City's current monthly sewer service charge (with or without debt financing); without an increase, all unbudgeted WWTP CIP projects will have to be indefinitely deferred until sufficient funding is made available through long-term savings (reserves).

SUBMITTED:

Prepared by:



Marcus L. Fuller  
Assistant Director of Public Works

Recommended by:

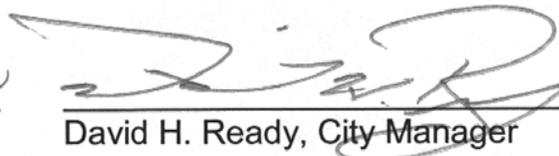


David J. Barakian  
Director of Public Works/City Engineer

Approved by:



Thomas J. Wilson, Asst. City Manager



David H. Ready, City Manager



# City of Palm Springs

Office of the City Clerk

3200 E. Tahquitz Canyon Way • Palm Springs, California 92262  
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## NOTICE OF CONTINUANCE

**NOTICE IS HEREBY GIVEN** that the Regular Meeting of June 16, 2010, Public Hearing Item No. 1.B.

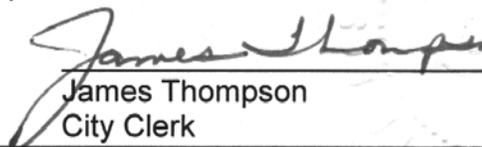
### **PROPOSITION 218 MAJORITY PROTEST HEARING ON THE MATTER OF INCREASING SEWER SERVICE CHARGES**

By a unanimous vote of the City Council of the City of Palm Springs the public hearing was continued to Wednesday, July 7, 2010, Council Chamber, 3200 E. Tahquitz Canyon Way, at 6:00 p.m., or as soon thereafter as possible.

#### AFFIDAVIT OF POSTING

State of California     )  
County of Riverside   ) ss.  
City of Palm Springs   )

I, James Thompson, Assistant Secretary of the Community Redevelopment Agency of the City of Palm Springs, California, certify this Notice of Continuance was posted at or before 6:30 p.m., June 17, 2010, as required by established policies and procedures.

  
James Thompson  
City Clerk