



City Council Meeting

AGENDA ITEM NO. L.2.

DATE: 05/07/2024

TO: Honorable Mayor and City Council Members

SUBJECT: Consideration of the introduction of Ordinance No. 2964 and Ordinance No. 2965 to implement water and wastewater rate increases, adoption of Resolution No. 8583 providing notice of intent to increase water and wastewater rates, direct staff to issue the required Proposition 218 notice establishing a public hearing date and location, and determine that consideration of the proposed rate increases is exempt from environmental review pursuant to Section 15061(b)(3) of the State's guidelines implementing the California Environmental Quality Act (Municipal Utilities and Engineering Director Harris)

MOTION(S):

If City Council determines the staff recommendation is appropriate, the following motions are provided:

1. I move to introduce Ordinance No. 2964 and Ordinance No. 2965 and that consideration of the proposed water and wastewater rate increases are exempt from environmental review pursuant to Section 15061(b)(3) of the State's guidelines implementing the California Environmental Quality Act; and
2. I move that the City Council adopt Resolution No. 8583 providing notice of intent to increase water and wastewater rates; and;
3. I move to direct staff to issue the required Proposition 218 notice for a public hearing.

RECOMMENDATION:

The Utility Advisory Committee and staff recommend the following water and wastewater rate increases:

Water -

- A two percent (2%) rate increase in fiscal year 24/25
- A two percent (2%) rate increase in fiscal year 25/26

Wastewater -

- A ten percent (10%) rate increase in fiscal year 24/25
- A ten percent (10%) rate increase in fiscal year 25/26

Staff further recommends City Council determine that adoption of Resolution No. 8583 is exempt from environmental review pursuant to Section 15061(b)(3) of the State's guidelines implementing the California Environmental Quality Act, adopt Resolution No. 8583 providing notice of intent to increase water and wastewater rates, and direct staff to issue the Proposition 218 notice establishing a date and location for a public hearing.

DISCUSSION:

Chapter 2.70 of the Redlands Municipal Code establishes a framework for a citizen committee, the Utility Advisory Committee (UAC), to develop fair and equitable rates to cover costs of services for the City's water and wastewater utilities. The seven (7) member UAC was appointed by City Council on January 16, 2024, and worked with MUED staff and the City's Utility Rate Consultant, Raftelis, to develop rate recommendations that provide adequate revenue to recover costs for services, are equitable to all customer classes, comply with state and federal laws, and are easily explained to customers. The UAC serves in an advisory capacity to the City Council.

The rate recommendation process began by introducing the UAC to the Municipal Utilities and Engineering Department (MUED) structure, water and wastewater utilities, and 6-year Capital Improvement Program (CIP). The UAC reviewed historic and projected operating, maintenance, and CIP costs necessary to provide high-quality services for Redlands' utility customers. Raftelis presented a financial analysis including multi-year revenue projections, target reserve balances, and annual labor and material cost escalations. Several rate scenarios were modeled and considered by the UAC, who ultimately recommends the following rate adjustments:

Potable Water:

- 2% increase in FY 24/25
- 2% increase in FY 25/26

Non-Potable Water:

- 0% increase in FY 24/25
- 0% increase in FY 25/26

Wastewater:

- 10% increase in FY 24/25
- 10% increase in FY 25/26

These increases will be applied to customer classifications proportionally based on the demands placed on each utility, and will generate the additional revenue necessary to continue providing water and wastewater utility services for all Redlands customers. Resolution No. 8583 provides notice of intent to increase water and wastewater rates.

If City Council determines these recommendations are appropriate, staff will issue a Public Hearing Proposition 218 notice, which will include a copy of Resolution 7128 that describes protest procedures. The following schedule is anticipated:

Resolution of Intent/Ordinance Introduction	May 7, 2024
Proposition 218 Notices Mailed	May 10, 2024
Ordinance - Public Hearing/Adoption	July 2, 2024
Rate Implementation	August 5, 2024

Approval of water and wastewater utility rate increases is exempt from environmental review pursuant to Section 15061(b)(3) of the State's guidelines implementing the California Environmental Quality Act since it will not result in a direct or reasonably foreseeable indirect physical change in the environment.

ALTERNATIVES:

City Council may deny the staff recommendation and provide alternate direction.

STRATEGIC PLAN:

N/A

SUBMITTED BY:

John R. Harris, Municipal Utilities and Engineering Director

RECOMMENDED BY:

Charles M. Duggan Jr., City Manager

REVIEWED BY:

Yvette M. Abich Garcia, City Attorney
Janice McConnell, Assistant City Manager
Danielle Garcia, Management Services/Finance Director

PREPARED BY:

John R. Harris

Fiscal Impact

Fiscal Year: FY 24/25

Revenue Generating: Y

Appropriation Required Y/N: N

Discussion:

Adoption of the recommended Water and Wastewater rates will generate revenues necessary to offset operating, maintenance, and capital improvement costs for each utility.

Attachments

Resolution No. 8583
2024 UAC Presentation
Prop 218 Notice
Raftelis Rate Study Report
Resolution 7128
Ordinance 2964 Amending RMC 3.52
Ordinance 2965 Amending RMC 3.62
