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Item # 7B

To: Lemoore City Council
From: JP Prichard, Administrative Analyst
Date: December 13, 2007
Subject: Public Hearing – Sewer Rate Increase

STAFF REPORT

Background:

Due to changes in State regulations, the City of Lemoore faces major changes to its wastewater treatment and disposal infrastructure. Effectively planning for these changes requires not only meeting current regulatory requirements and anticipating future capacity needs, but also taking steps to ensure that such projects can be funded as needed.

The City of Lemoore is no longer in compliance with State regulations with respect to the wastewater effluent being discharged into a “waterway of the state”. The City faces the dual challenge of needing to treat discharged wastewater beyond current treatment levels, but also needing to find a more suitable location to discharge the treated effluent. While the City is currently using Economic Development Administration funding to study possible solutions to the discharge location challenge, building a suitable wastewater treatment plant will be a fiscally daunting task, with costs ranging higher than \$10M per million gallons per day capacity. This does not include more than \$4M needed for the land for the WWTP and effluent line to reach the site. The total cost estimate, with financing, would be approximately \$35.8M, based on 3M gal/day capacity. The new wastewater treatment plant is estimated to be needed by 2013.

Cities typically are forced to debt finance improvements of this size and scope, which almost invariably require an increase in the utility rates for residents receiving services. Existing utility rates are already “used up” for maintenance and operations, as well as for previous improvements. The City of Lemoore is currently paying for bonds used for previous sewer capital improvements. Current fund balances alone are not sufficient to pay for needed improvements.

Current operation and maintenance needs could be met with an approximately 6% sewer rate increase. However, a sewer rate increase that would affect the financing of the wastewater treatment plant would need to be significant, as it will cost an additional \$24/mth per residential equivalent in 2013.

Attached are: A) an estimate of the impact of current rate increases on future needs, and B) a comparison of current and proposed rates against other local jurisdictions.

Any utility rate increases are subject to Public Hearing requirements of Prop 218. All parcel owners and ratepayers have been noticed by mail, and the hearing was properly noticed in the Lemoore Advance as well. Should the majority of property owners submit objection to the proposed increases in writing, Council will be unable to increase rates at this time. The City Clerk will make available current information regarding the number of protests received at the time of the hearing.

Budget Impact:

While revenue from sewer service fees will vary dependant on number of ratepayers and amount of usage, it can be assumed that sewer service revenues will increase by 56% in future years.

Recommendation:

Staff recommends holding a protest hearing in keeping with the requirements of Proposition 218. Further, if a majority protest does not exist, Resolution 2007-52 will allow for Council to raise sewer service rates as needed.