



Town of Yountville

6550 Yount Street
Yountville, CA 94599

Staff Report

Agenda Item #: {{section.number}}{{item.number}}

Yountville Town Council Staff Report

DATE: September 20, 2022

TO: Mayor and Town Council

FROM: Utility Rate Ad Hoc Committee Members Mohler and Tagliaboschi; Steven Rogers, Town Manager; Celia King, Finance Director; Doug Dove and Michael DeGroot, Bartle Wells Associates; Gary Bell, Town Attorney.

PREPARED BY: Celia King, Finance Director

SUBJECT:

Consider adoption of Resolution Number 22-XXXX approving intention to adjust water and wastewater rates, setting public hearing, establishing procedures for submitting and tabulating Proposition 218 protests, and directing staff to provide notice.

DISCUSSION/BACKGROUND

At the April 19, 2022 Town Council meeting, the Town Council approved the initiation of the 2022 Water and Wastewater Utility Rate Study. At that same meeting staff recommended, after having completed a Request for Proposal (RFP) process, that Bartle Wells Associates be selected as the consulting firm that would conduct the Utility Rate Study, and the Town Council approved this recommendation. Additionally, the Town Council appointed Council Member Mohler and Council Member Tagliaboschi to the Utility Rate Ad Hoc Committee to work with town staff and Bartle Wells Associates on the Utility Rate Study.

The prior Five-Year Rate Study that was completed in 2018 included a 7% increase to water utility rates, a one-time draw down of \$200,000 from the Drought Water Reserve Fund balance, and a 12% increase in wastewater utility rates. The increase to the water and wastewater utility rates did not prove to be sufficient to cover the substantially rising costs since 2018, including the cost of water purchases, leaving the Water Operating Fund in a deficit for two fiscal years, and resulting in the Water Capital Fund needing to take on debt to fund the Emergency Washington Park Water Line Repair Project in 2020. Similarly, current wastewater rates are not sufficient to recover the cost of service.

The Town is a wholesale purchaser of water from the State of California Department of Veteran's Affairs (CalVet) and does not have direct control of the costs of water charged by that agency. Assembly Bill 3030 allows for the pass-through increase of costs in wholesale charges for water provided the agencies comply with the provision of Government Code Section 53756. A copy of Section 53756 related to AB 3030 is included with this staff report. The 2018 Utility Rate Study recommended that the Town expect an annual 7.5% water purchase cost escalation. The pass-through provisions of AB 3030 would have only applied if the increase charged to the Town exceeded the 7.5% rate as determined by the Town Council. Though water purchase costs did in fact surpass the expected 7.5% increase during the established five-year utility rate schedule, the Town Council elected not to enact the pass-through provision.

Proposition 218 requires that the Town provide all property owners who are charged a fee for water and/or

wastewater service with a notice of any proposed rate increases. The Town will also provide notice of the proposed rate increases to current utility customers who are not property owners. These notices must be sent a minimum of 45 days in advance of the Town Council holding a public hearing on the proposed rate increases. The property owners have the right to protest the proposed rate increases until the close of the public hearing. If a majority of the parcels file written protests to the Town prior to the close of the public hearing, Proposition 218 states the Town cannot implement the proposed rate increases. If a majority of the parcels do not protest the proposed increases, the Town Council has the authority to implement the proposed rate increases. Only one written protest per parcel will be counted towards protest tabulation during the public hearing.

In accordance with the provisions of Proposition 218 requirements, several steps have been taken to comply with the law including scheduling a public hearing on November 15, 2022 at or about 3:00pm in Town Council Chambers. In addition, staff has obtained the most current Napa County Assessor's Office parcel role for a direct mailing of the Proposition 218 Notice to each parcel owner of record, and utility bill customer of record. Town staff recommends hosting an informational public meeting in October 2022 either separately or as a part of the October 18th Town Council meeting to discuss the proposed rates. Town staff will also post public notices in the Town's official posting locations, place a notice in the Yountville Sun and place information on the Town's website.

The Town's Water and Wastewater Utility Enterprise Funds are funded by ratepayer charges for services rather than tax revenue. As such, it is important that utility rates are routinely examined to meet the following goals:

- Achieve fiscal sustainability in each utility enterprise fund so that they do not operate in a deficit.
- Establish and maintain reserve capacity to make necessary system replacement and upgrades as outlined in the Five-Year Capital Improvement Program (CIP).
- Provide funding for any debt obligations the utility enterprise funds may have.
- Meet State and Federal regulatory compliance requirements related to the operation of the utility systems.
- Ensure that fees and charges are distributed in a fair and equitable manner amongst ratepayers.

Established Town Council policy prohibits the General Fund from subsidizing the cost of water and wastewater services. The Town does offer a utility rate assistance program for eligible low-income residents.

Over the past five months, Bartle Wells Associates has worked with town staff and Ad Hoc Committee members to conduct the financial analysis and rate study. Several items were used in the study to ensure that the proposed rates would be fair and equitable to all ratepayer classifications. The consultant reviewed the financial status of each utility fund against the results from the 2018 Study and Financial Plan, long-term capital improvement plans, State Water Resources Board requirements for water, State Regional Water Quality Control Board (SRWQCB) for wastewater, the Town's Five-Year Capital Improvement Program (CIP), current and projected operating costs and projected revenue requirements.

Utility Rate Study Ad Hoc Committee members Mohler and Tagliaboschi met with the consultants and Town staff on two occasions and considered multiple rate increase options for both water and wastewater. The factors influencing costs for both utility operations include personnel and operational costs, capital projects, the cost to purchase water, water consumption and conservation efforts, the impact on reserve targets, use of existing fund balance, current fiscal conditions of all enterprise funds, and maintaining Drought Water Reserve Fund balance so that it is available if needed during the current drought situation.

Bartle Wells Associates staff will present the findings of the 2022 Water and Wastewater Utility Rate Study in detail at the September 20, 2022 Town Council meeting. The reports accompany this staff report. They will discuss and review the recommendations of the Utility Rate Study Ad Hoc Committee members with the Town Council as a whole, and the Town Council will need to finalize and make a recommendation as to the proposed rate adjustment which will be the maximum rate adjustment amount. The Town Council, at the public hearing to adopt the rates, has the ability to adopt a lower rate adjustment but cannot increase the rates above the proposed maximum in the Proposition 218 Notice.

The following timeline to implement the Proposition 218 Notice Process is proposed:

September 20, 2022	Council determines maximum amount of proposed rate increases.
September 20, 2022	Council adopts Resolution related to Proposition 218 Notice Process.
September 30, 2022 (or earlier)	Town mails Proposition 218 Notice of Proposed Rate Increases.
October 2022	Date to be determined for Public Informational Meeting
November 15, 2022	Town Council hold public hearing.
November 15, 2022	Town Council determines if there was a majority protest.
November 15, 2022	Town Council adopts rate increases if not majority protest.
January 1, 2023	New rates go into effect beginning with monthly billing cycle.

The Utility Rate Study Ad Hoc Committee recommended options would place the Town of Yountville water rates at slightly above the average range (of neighboring jurisdictions) in comparison to rates that are or will soon be in effect in the Napa/Sonoma region. Some of these jurisdictions are also evaluating the need for rate increases at this time.

WATER RATES

The water rate update includes a one-time fixed amount (\$5.58 for $\frac{3}{4}$ meter size) increase in year 1 to system replacement fees, along with an 11% increase over five years to the current fixed meter charge, system replacement fees and water consumption rates. The cash balance of the water enterprise funds as of June 30, 2021 was \$1,799,024. At the end of the five years the projected cash balance will be \$2,892,908.

Implementing the proposed increase would impact water customers in the following manner in the first year:

Low User (4,000 gallons monthly usage): current charge (fixed meter fee, system replacement fee and consumption charge) is \$80.54, and the new charge would be \$94.16, for an increase of \$13.62.

Average User (7,000 gallons monthly usage) current charge (fixed meter fee, system replacement fee and consumption charge) is \$94.83, and the new charge would be \$110.69, for an increase of \$15.86.

High User (10,000 gallons monthly usage): current charge (fixed meter fee, system replacement fee and consumption charge) is \$109.12, and the new charge would be \$127.22, for an increase of \$18.10.

WASTEWATER RATES

The wastewater rate update includes a 5.4% increase for the first three years, and 5.9% increase for the remaining two years of the proposed five-year rate schedule. The increase changes the rates for residential, non-residential, wastewater system replacement fee and sewer load factor & strength rates. The cash balance of the wastewater enterprise funds as of June 30, 2021 was \$3,871,345. At the end of the five years the projected cash balance will be \$3,377,568.

Implementing the proposed increase would impact wastewater customers in the following manner in the first year:

Single Family: current rate is \$78.99, and the new rate would be \$83.25, for an increase of \$4.26.

Low Strength (51% of 25,000 gallons water usage): current rate is \$169.15, and the new rate would be \$178.26, for an increase of \$9.11.

COMPARISON OF CURRENT TOTAL BILL TO PROPOSED TOTAL BILL FOR AVERAGE CUSTOMER

Implementing the proposed increases would impact utility customers in the following manner in the first year:

Single Family Average User (7,000 gallons monthly usage) current total monthly bill for both water and

wastewater charges is \$173.82, and the new total monthly bill would be \$193.94, for an increase of \$20.12.

ENVIRONMENTAL REVIEW

Exempt per California Environmental Act (CEQA) Guideline, Section 15061(b)(3)

FISCAL IMPACT

Is there a Fiscal Impact? Yes

Is it Currently Budgeted? Yes

Where is it Budgeted? Water Funds 60, 61, 57 and 58 and Wastewater Funds 62, 63, 64 and 65.

Is it Mandatory or Discretionary? Mandatory

Is there a Staff Resource Impact? Nominal

STRATEGIC PLAN GOAL

Is item Identified in Strategic Plan? Yes

If yes, Identify Strategic Goal and Objective. **Responsible Fiscal Policy:** The Town maintains its fiscal health through policies designed to maximize economic opportunities, manage expenses, and ensure prudent reserves.

Briefly Explain Relationship to Strategic Plan Goal and Objective. The Town Council is responsible for implementing a utility rate structure that will find the operation of the Water and Wastewater Enterprise Funds in a fiscally responsible manner in compliance with State and Federal regulatory guidelines and which does not operate in a deficit position and is fully funded by utility rates.

ALTERNATIVES

Modify the Ad Hoc Committee and staff recommendations for the maximum amount of the proposed utility rate adjustments for water and wastewater and/or the provisions for compliance with Proposition 218 notification and protest process as determined by the Town Council and approve.

Reject the Ad Hoc Committee and staff recommendations and provide direction to staff as to how the Town Council desires to move forward, as not approving future utility rates will place the utility enterprise funds into a deficit position.

Approve the Ad Hoc Committee and staff recommendations related to the maximum amount of the proposed utility rate adjustments for water and wastewater and the provisions of compliance with Proposition 218 notification and protest potential.

RECOMMENDATION

Receive staff report and direct questions to staff.

Receive public comment.

Conduct Council discussion on proposed Resolution Number 22-XXXX.

Adopt Resolution Number 22-XXXX approving intention to adjust water and wastewater rates, setting public hearing, establishing procedures for submitting and tabulating Proposition 218 protests, and directing staff to provide notice.