

RESOLUTION NO. _____

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CHULA VISTA: (1) ACCEPTING THE SEWER RATE STUDY; (2) APPROVING THE STUDY'S RECOMMENDATIONS FOR FISCAL YEARS 2021/22 THROUGH 2025/26, (3) ADOPTING INCREASED SEWER RATES AND APPROVING AMENDMENTS TO THE MASTER FEE SCHEDULE; (4) AUTHORIZING THE PASS-THROUGH OF ALL FUTURE FEES AND CHARGES IMPOSED FOR WHOLESAL CHARGES FOR SEWAGE TREATMENT OR WASTEWATER TREATMENT; (5) APPROVING AMENDMENTS TO CITY COUNCIL POLICY 220-04; (6) AUTHORIZES AN INCREASE TO THE SERVICE CHARGE REVENUE ALLOCATIONS TO THE SEWERAGE FACILITIES REPLACEMENT FUND; AND (7) APPROPRIATING 6 MILLION DOLLARS FROM THE TRUNK SEWER CAPITAL FUND TO THE SEWER SERVICE REVENUE FUND

WHEREAS, on December 17, 2013, the City Council adopted City Council Resolution No. 2013-267, implementing a five-year rate plan commencing Fiscal Year 2014/15 and amending the Master Fee Schedule accordingly; and

WHEREAS, on January 1, 2019, the City retained Willdan Financial Services to prepare the Sewer Rate Study (Study) which was completed in June 2021 (Exhibit 1); and

WHEREAS, the purpose of the Study was to develop a 10-year financial plan with the focus on the first 5 years, identifying the revenues required to meet the costs of operating and maintaining an adequate sewer system and identifying adjustments needed to generate sufficient revenue for the systems objectives; and

WHEREAS, the Study established the annual revenue needed to meet the utility's existing and projected obligations for five years (FY 2021/22 to FY 2025/26) and developed a plan to provide for the continued fiscal health of the sewer utility; and

WHEREAS, the Study recommendations include: (1) increase the sewer rates to fund the costs of sewer service, (2) implement pass-through rate adjustments for the expenses from City of San Diego Metropolitan Wastewater (Metro); (3) rescind the US EPA Permit Renewal Liability Reserve (Permit Reserve) category, (4) increase the service charge revenue allocations to the Sewerage Facilities Replacement Fund, and (5) allocate \$6 million from the Trunk Sewer Capital Fund for payment of a portion of the Metro capital expenses in FY2022/23; and

Increases to Sewer Rates and Pass-Through Rate Adjustments for Metro Expenses

WHEREAS, the Study's recommendations include increases to the City's Sewer Service Charges, as shown in Exhibit 2, which will be needed to meet projected costs of sewer service during the Study period (FY2021/22 to 2025/26); and

WHEREAS, the Study analyzed proposed rate increases so that revenues derived from the proposed increased sewer service charges do not exceed the funds required to provide the property related service; and

WHEREAS, the Study analyzed proposed rate increases so that sewer service charges proposed to be imposed upon any parcel as an incident of property ownership do not exceed the proportional costs of the service attributable to the parcel; and

WHEREAS, sewer service charges imposed are for a service used by, or immediately available to, the owner of the property; and

WHEREAS, staff intends to manage all revenues derived from the increased sewer service charges and ensure they shall not be used for any purpose other than that for which the charge was imposed; and

WHEREAS, after staff's review of the Study's recommendations to increase the proposed rates, the City prepared and provided written notice by mail, in English and Spanish, of the proposed sewer rate increases to all record owners and sewer customers of each identified parcel upon which the increased rate is proposed for imposition and that the notice included the amount of the rate increase, the basis upon which the amount of the proposed rate increase was calculated, the reason for the proposed rate increase, together with the date, time, and location of the public hearing on the proposed rate increase (Exhibit 3); and

WHEREAS, the Notice(s) of Public Hearing were mailed to the above record owners 45 days or more prior to the public hearing; and

WHEREAS, mailed Notices(s) of Public Hearing that were returned were evaluated and City staff made reasonable efforts to re-mail; and

WHEREAS, re-mailed Notices(s) of Public Hearing were mailed 45 days or more prior to the public hearing; and

WHEREAS, the City Council held a public hearing on April 26, 2022 to consider the proposed increases to sewer service rates and any protests thereto; and

WHEREAS, the City Council considered all protests to the proposed increases to sewer rates at said public hearing; and

WHEREAS, the total number of protests against the proposed sewer rate increases were less than a majority of record owners of real property and other persons entitled to submit protests of such increases; and

WHEREAS, the Study recommends pass through rate adjustments for Metro costs associated with wholesale charges for sewage treatment; and

WHEREAS, California Government Code Section 53756 permits agencies that provide sewer service to adopt a schedule of fees or charges authorizing automatic adjustments for a five-year period that pass through inflationary adjustments and/or changes in wholesale charges from other public agencies providing services such as wastewater treatment; and

WHEREAS, the Metro wastewater treatment charges from the City of San Diego will be annually compared to the projected expenses and significant differences applied to the following year's rates; and

WHEREAS, in accordance with California Government Code 53756, notices of the changes as a result of the Metro Pass Through would be sent at least 30 days prior to billing; and

WHEREAS, staff recommends that City Council adopt increases to the City's sewer rates and approve an amendment to the City's Master Fee Schedule, as recommended by the Study and shown in Exhibit 2, and authorizes and directs City staff to pass-through all future fees and charges imposed on the City by other entities related to wholesale charges for sewage treatment or wastewater treatment, as recommended in the Study; and

Rescinding U.S. EPA Permit Renewal Liability Reserve

WHEREAS, on December 17, 2013, the City Council adopted City Council Resolution No. 2013-265 creating a Sewer Service Revenue Fund Reserve Policy; and

WHEREAS, one of the categories of the Sewer Service Revenue Fund Reserve Policy, the Permit Reserve Category, was established to ensure monies were set aside to fund the Metro costs associated with maintaining the wastewater treatment National Pollution Discharge Elimination System permit (Permit) (e.g. upgrade to secondary treatment of the Point Loma Wastewater Treatment Plant (PLWWTP) or equivalent alternative); and

WHEREAS, the City of San Diego's PLWWTP 2015 Permit waiver, which allows the PLWWTP to treat sewage going to the ocean at an advanced primary level as opposed to the secondary treatment level, was approved by regulators on the condition that the regional Pure Water Program be implemented; and

WHEREAS, the City's portion of the Pure Water expenses are included in the quarterly bills from Metro to the City; and

WHEREAS, the basis for establishing the Permit Reserve category as a proactive measure is no longer needed for the City's Permit Reserve category; and

WHEREAS, the prior sewer rate study done in 2013 targeted revenue to the Sewerage Facilities Replacement Fund at about 50% of annual depreciation for infrastructure funding needs; and

WHEREAS, the current Study recommends an increase in allocation of revenue to the Sewerage Facilities Replacement Fund to target annual revenues equal to annual depreciation and ensure that infrastructure is kept reliable as it shows signs of wear and/or failure; and

WHEREAS, staff recommends that the City Council approve the increased allocation of revenue in accordance with the Study's recommendation; and

Increase Service Charge Revenue Allocations to the Sewerage Facilities Replacement Fund

WHEREAS, the Study recommends the sewer service revenue allocation be increased to ensure the goals the Sewer Facilities Replacement Fund as outlined in the Study are adequate; and

WHEREAS, staff recommends that the City Council approve increasing service charge revenue allocations to the Sewerage Facilities Replacement Fund in accordance with the Study's recommendation; and

Appropriation from Trunk Sewer Capital Fund to the Sewer Service Revenue Fund

WHEREAS, on April 2, 1985, City Council adopted Ordinance No. 2107, approving the establishment of the Trunk Sewer Capital Reserve Fund which is used for paying all or part of the cost and expenses to plan and/or evaluate any future proposals for areawide sewage treatment and/or water reclamation systems or facilities; and

WHEREAS, the Study recommends use of \$6 million from the Trunk Sewer Capital Reserve Fund to pay for a portion of the regional Metro capital during the Study period; and

WHEREAS, Staff recommends an appropriation of \$6 million dollars from the Trunk Sewer Capital Reserve Fund to the Sewer Services Revenue Fund to be used on Metro related costs in FY 2022/23.

NOW, THEREFORE, the City Council finds as follows:

1. A public hearing was held at the regular City Council on April 26, 2022 to consider the proposed increases to sewer rates.
2. Due notice of the public hearing on the proposed increases to sewer rates was given by mail to all record owners of real property in the City of Chula Vista as provided in Government Code Section 53755 and as required by Article 13D, Section 6 of the California Constitution (Proposition 218).
3. At the hearing, the City Council heard testimony for and against the proposed increases and was provided with a staff report recommending their approval.
4. Copies of the written protests were provided and available to the City Council.
5. All protests have been considered by the City Council.

6. The total number of protests against the proposed sewer rate increases were less than a majority of record owners of real property and other persons entitled to submit protests of such increases.
7. On April 26, 2022, the City Council considered the proposed sewer rate increases and determined to approve increases as set forth below.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Chula Vista that it:

1. Accepts the Sewer Rate Study (Study), which is attached hereto as Exhibit 1 and incorporated herein.
2. Approves the Study's recommendations for Fiscal Years 2021/22 through 2025/26, which include: (1) increasing sewer rates to cover costs of sewer service during the Study period; (2) implementing a pass through for the expenses from Metro associated with wholesale charges for sewage treatment; (3) rescinding the US EPA Permit Renewal Liability Reserve (Permit Reserve) category of Sewer Service Revenue Fund Reserve Policy; (4) increasing the service charge revenue allocations to the Sewer Facilities Fund; (5) allocating \$6 million from the Trunk Sewer Capital Fund for payment of a portion of the Metro capital expenses in FY2022/23);.
3. Adopts increases to sewer rates as provided in the Study and approves an amendment to Chapter 12-200 of the Master Fee Schedule, which is attached hereto as Exhibit 2 and incorporated herein, to implement the newly adopted sewer rates for Fiscal Years 2021/22 through 2025/26, effective immediately.
4. Authorizes and directs City staff to pass-through all future fees and charges imposed on the City of Chula Vista by other entities related to wholesale charges for sewage treatment or wastewater treatment, for a five-year period beginning July 1, 2022.
5. Approves an amendment to City Council Policy 220-04 (Sewer Service Revenue Fund Reserve Policy), which is attached hereto as Exhibit 4 and incorporated herein, to implement the Study's recommendation to rescind the US EPA Permit Renewal Liability Reserve (Permit Reserve) category.
6. Authorizes an increase to the service charge revenue allocation to the Sewerage Facilities Replacement Fund as provided in the Study.
7. Appropriates 6 million dollars (\$6,000,000) from the Trunk Sewer Capital Reserve Fund to the Sewer Service Revenue Fund to pay for Metro capital expenses during Fiscal Year 2022/23.

Presented by

Approved as to form by

William Valle
Director of Engineering and Capital Projects/
City Engineer

Glen R. Googins
City Attorney

Exhibit 1: Sewer Cost of Service Rate Study 2021

Exhibit 2: Amended Master Fee Schedule

Exhibit 3: Proposition 218 Notices

Exhibit 4: Amended Policy 220-04 Sewer Service Revenue Fund Reserve Policy