



City Council Agenda Item

City Council Meeting Date: April 21, 2026

TO: Dean Albro, City Manager

FROM: Robert Cross, Interim Management Services Director
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SUBJECT: Consideration of Modifying the Wastewater Winter Averaging Calculation; Schedule and Notice a Public Hearing for July 21, 2026, for Proposed Modification to Wastewater Winter Averaging Calculation in Accordance with Proposition 218

Recommendation:

Staff recommends the City Council:

- 1) Consider proposed methodology modifying the winter averaging component of charges used for calculating Wastewater monthly charges;
- 2) Authorize the distribution of a Prop 218 45-day notice to ratepayers regarding the adjustment of rates; and
- 3) Set a public hearing for the proposed Wastewater Utility usage rate adjustments for July 21, 2026, in accordance with Proposition 218.

Background:

With the passage of Resolution No. 4939(01), effective August 1, 2001, Wastewater Utility rates began to use a formula that was based on metered water consumption from the most recent usage during January, February, and March. Prior to this resolution, residential rates were a flat monthly charge without consideration of water (and thus wastewater) usage. The intention of this modification was to account for "inside" water use that would flow into the City's wastewater collection and treatment systems as opposed to water used for outside irrigation that does not impact either system. Resolution No. 4939(01) only provided for an one-year lookback in determining the following year's wastewater rates. By way of example, the average water usage for January 2002 to March 2002 was used as the basis for determining the wastewater rates charged for July 2002 to June 2003.

With the passage of Resolution No. 5363(06) effective September 1, 2006, the water consumption formula for wastewater rates was revised to expand the lookback period

from one year to a 6-year lookback period. The revised formula used the 6-year lookback period but only calculated the average usage in that period on four years by excluding the year with the highest average consumption and excluding the lowest average consumption. The assumption behind the elimination of the high and low consumption years was to further reduce the reliance of the formula on wet or dry conditions during any single year's evaluation period (January to March).

Resolution No. 5858(13) further clarified Wastewater rates by addressing residential and non-residential wastewater services that do not have a corresponding dedicated water meter that would be the basis for the 6-year lookback period formula. In addition, Resolution No. 5858(13) separated the formulas for different classes of customers (Residential/Office, Commercial, and Industrial) retaining the 6-year lookback period formula for Residential/Office and Commercial while implementing a January to December averaging formula for Industrial class customers. Finally, the resolution changed the minimum charges to no less than 5 units of water usage regardless of individual or class consumption formulas. The resolution is silent on fractions of unit usage as shown in the example above and historically, charges have been calculated on whole units.

Resolution 6524(22) was approved in July 2022 which rescinded the portions of Resolution 5858(13) related to calculating usage, replacing the 6-year average calculation with a 4-year average. This adjustment was necessary due to the implementation of Tyler Technologies' Munis Enterprise Management System. This change was intended to be temporary, because with Munis this requires manual calculations along with manual data entry for each individual account being updated.

Discussion:

With the implementation of Munis for Utility Billing, the software allows automatic annual updates to customer usage averages only based on using a 1-year average (which was the methodology used previously under Resolution 4939(01)). Customer water usage for the winter months of January, February, and March will be averaged to determine the usage to charge for wastewater services. This calculation will be made in July and will remain in place until the following July.

This calculation can be done by Munis directly, and customer accounts can be updated automatically. This will eliminate the manual process of calculating based on prior year's averages, and then manually going into each customer account to adjust their usage to the updated quantity.

The rates per unit from Resolution 5858(13) will remain in effect, along with the minimum charge based on 5 units, and the rates and charges for wastewater services to customers located outside the City limits will remain at 1.5 times the rates set forth in Resolution 5858(13). Further, the Non-Consumption Method from Resolution No. 5858(13) remains in effect for those customers.

Lastly, Resolution No. 5858(13) put in place a cap, so that residential customers units billed could not increase by more than 4 units per month, and commercial customers units billed could not increase by more than 10 units per month. These caps are not able to be implemented in Munis, and therefore we are removing those caps from this resolution.

This will allow customers to have a more direct impact on their monthly wastewater bill, as a decrease in water during winter months will result in a 12-month reduction starting the following July. Currently, a decrease in winter month water usage would be part of a 4-year average, so the impact of this change would be far more gradual.

As has been done previously, City Utility Billing staff will continue to document known water leaks during those winter months, so that customers will not see that increase factor into their wastewater usage for the following year.

The City's Wastewater utility rates are subject to Proposition 218. When setting property-related user fees, local jurisdictions must identify the nexus between the actual cost of service and the fees charged to customers, which in this case is the amount of water used in winter months, charged at a certain rate that was calculated previously and has remained constant since July 1, 2017.

To adjust rates subject to Proposition 218, the City is required to set a public 'majority protest' hearing, and provide all customers and property owners with 45 days prior notice of the proposed rates (attached). If a majority of parcels do not object to the proposed rates, then the City Council may adopt the proposed rates at the public hearing upon a majority vote. A parcel is considered to have filed a protest if any rate-paying tenant or the property owner from that parcel files a protest. Major components of the noticing process include:

- The requirement to notify all affected parties at least 45 days prior to holding a hearing at which the City Council could act on the proposed rate adjustments identified in the notice.
- At the public hearing, the City Council would be required to reject the rate adjustments if a majority of the affected parcels file written protests.
- Wastewater rates must be set so that revenues do not exceed the funds required to provide the service, and the fee or charge imposed on any ratepayer must not exceed the proportional cost of the service.

While this action does not propose any adjustments to the rates being charged per unit, a modification to the calculation method also must adhere to the same process.

Fiscal Impact:

Based on preliminary data for January and February, staff estimates that approximately 40% of customers will see an increase to their monthly wastewater charge, with 24% seeing a decrease and 36% seeing no change. The residential accounts would see an increase of \$10.53 per month on average, with commercial accounts increasing by \$102.76 per month on average.

Finance staff is planning on updating the wastewater cost-of-service study in early 2027, as rates have not been adjusted since 2017. If this resolution is approved, the study will be adjusted to incorporate these changes. In the meantime, this will allow Utility Billing staff to fully take advantage of the technology available in Munis for automating the sewer audit process.

Conclusion:

Setting a public hearing for July 21, 2026, will allow the City to incorporate the above changes in order to seamlessly continue with the conversion to Munis Utility Billing system and automate the annual sewer audit process.

Respectfully submitted,

Robert Cross, Interim Management Services Director

APPROVED FOR SUBMITTAL TO THE CITY COUNCIL:

Dean Albro, City Manager

Attachment: Proposition 218 Notice of Public Hearing