



**DATE:** June 22, 2021

**CATEGORY:** Public Hearing

**DEPT.:** Finance and Administrative Services

**TITLE:** **Public Hearing on Recommended Water, Wastewater, and Trash/Recycling Rate Increases**

### **RECOMMENDATION**

Convene a public hearing to accept and consider public comments on the following recommended utility rate increases:

- Water (including Meter): 1.0% effective July 1, 2021.
- Wastewater (Sewer): 6.0% effective July 1, 2021.
- Trash and Recycling: 4.0% effective July 1, 2021.

### **BACKGROUND**

In 1997, voters approved Proposition 218, amending the State Constitution to reinforce voter approval requirements for all new and increased taxes as well as adding substantive and procedural requirements prior to the imposition of property assessments and new or increased “property-related fees and charges.”

In a July 2006 California Supreme Court decision (*Bighorn*), the Court ruled that utility rates charged by governmental entities for water, sewer, and trash/recycling services are considered property-related fees and subject to the procedural requirements of Proposition 218, Article XIII D, of the California State Constitution (Proposition 218). Proposition 218 (as now interpreted) requires governmental agencies that charge for utility services to conduct a public hearing prior to adopting any changes in utility rates at which time the governing body will consider public input on the proposed rates.

A notice must be mailed no later than 45 days prior to the public hearing and include the recommended rate adjustments, the calculation methodology, and a description of the process for submitting a protest vote to the rate adjustments. If written protest letters are received from a majority of the parties affected by the rate increases, the recommended increases cannot be imposed or further considered without repeating the notice and hearing process.

The legislation provided for future rate increases within prescribed limits to be approved without holding a hearing each year for up to an additional four years. These prescribed limits include an inflation adjustment, third-party (supplier) pass-through costs, and future fiscal year rate increases pursuant to a schedule of adjustments noticed and adopted by the City Council through the rate hearing process.

In compliance with Proposition 218, on or before May 7, 2021, 45 days prior to the June 22, 2021 public hearing of the City Council, approximately 16,000 notices containing the required information were mailed to City of Mountain View utility customers. A copy of the notice is included as Attachment 1. Protests must be submitted in writing and may be mailed and received or dropped off at City Hall in the Utility Payments mail slot on the side of City Hall between Castro Street and the main entrance to City Hall by the close of the public hearing on June 22, 2021. Written protests received prior to or during the public hearing will be counted at the public hearing, and a final tally will be given to the City Council after the hearing is closed. As of June 14, 2021, three protests have been received.

## ANALYSIS

Recommended utility rate increases were included in the Third Quarter Budget Update Report, discussed at the April 27, 2021 Council meeting, and also discussed at the June 8, 2021 public hearing on the Recommended Budget.

For water and meter rates, a 1.0% rate increase is recommended. For Fiscal Year 2021-22, the San Francisco Public Utilities Commission (SFPUC) proposed a zero-percent (0.0%) wholesale water rate increase. The Santa Clara Valley Water District (SCVWD) adopted a 9.1% increase for groundwater (well production) and a 9.5% increase for treated water (the treated water surcharge was increased from \$100 to \$115 more per acre-foot than groundwater) at SCVWD's May 11 meeting. These increases, as well as increases in the cost of City programs and the annual maintenance projects, support an overall average rate increase of 1.0% as recommended.

For wastewater (sewer) rates, a 6.0% rate increase is recommended. For Fiscal Year 2021-22, the City's share of the Treatment Plant costs is increasing 7.0%. This increase, as well as increases in the cost of City programs and annual maintenance projects, support an overall average rate increase of 4.0%. For Fiscal Years 2021-22 through 2023-24, an additional 2.0% each year is recommended to complete the phase-in of costs attributable to future major renovations at the Treatment Plant. This represents Years 8 through 10 of a 10-year phase-in period and results in an overall 6.0% increase for Fiscal Year 2021-22.

For trash and recycling services, Recology is the private company that provides collection services, and the agreement provides for a 7.7% increase for Fiscal Year 2021-22 due to new agreed-upon service levels. The City's residential and commercial trash, yard trimmings, and recyclables are processed at the SMaRT® Station under a Memorandum of Understanding (MOU) between the cities of Mountain View, Sunnyvale, and Palo Alto through the end of 2021. The MOU is currently being updated with significant changes in processing, and Palo Alto is no longer participating in the MOU, which will result in net cost increases to the City of 4.8%. These increases, as well as increases in the cost of City programs and annual maintenance projects, would support an overall average rate increase of almost 6.0%. However, as the fund is in a stable financial condition, a 4.0% overall rate increase is recommended.

The recommended schedule of utility rates includes adjustments through Fiscal Year 2024-25 of utility rates for inflation as well as supplier pass-through costs for water and wastewater rates.

These fees will be included in the resolution amending the City of Mountain View Master Fee Schedule to be adopted at the public hearing for adoption of the Fiscal Year 2021-22 Budgets, Appropriations Limit, and Fee Modifications scheduled after this public hearing on the June 22, 2021 agenda. If there is a majority protest, these fees will be removed from the resolution amending the Master Fee Schedule.

### **FISCAL IMPACT**

The recommended rate increases are necessary to continue the operating and financial sustainability of the Water, Wastewater, and Solid Waste Funds and the services provided.

### **ALTERNATIVES**

1. Modify the recommended rate increases as presented.
2. Provide other direction.

## **PUBLIC NOTICING**

Agenda posting, and a notice of the public hearing was published in two newspapers of general circulation: the *San Jose Post Record* and *Mountain View Voice*. In addition, a notice of the rate increases was mailed to all customers.

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Attachment: 1. [Notice of Public Hearing – Proposed Water, Sewer and Trash/ Recycling Rates Effective July 1, 2021](#)