

RESOLUTION R2023-__

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF NAPA, STATE OF CALIFORNIA, APPROVING WATER RATES OVER A FIVE-YEAR PERIOD (2024-2028), FOR ALL WATER RATE CUSTOMERS (INSIDE CITY AND OUTSIDE CITY) INCLUDING SINGLE-FAMILY RESIDENTIAL, MULTI-FAMILY RESIDENTIAL, COMMERCIAL, IRRIGATION, FIRE SERVICE CHARGES, PUMPED ZONE SURCHARGES, AND TREAT & WHEEL CHARGES; AND MAINTAINING THE AMOUNT OF THE RATESHARE PROGRAM FOR LOWER INCOME CUSTOMERS; AND DETERMINING THAT THE ACTIONS AUTHORIZED BY THIS RESOLUTION ARE EXEMPT FROM CEQA

WHEREAS, Napa Municipal Code Section 13.04.020 and 13.04.030 specify that inside and outside city water rates be set by resolution; and

WHEREAS, Resolution No. R2017-153, adopted by City Council on November 7, 2017, established water rates which were enacted for 2017 – 2021: and

WHEREAS, water rates have not increased since October 1, 2021; and

WHEREAS, in September 2023, Black and Veatch completed a water cost of service rate analysis for single family residential, multi-family residential, commercial, and irrigation customers both inside and outside city, fire service charges and pumped zone surcharges as part of the Water Cost of Service Rate Study (“Water Cost of Service Rate Study”) that has been on file in the office of the City Clerk, posted on the Water Division website, attached to a prior Council agenda, and available for public review upon request, which is attached hereto as Exhibit “A” and incorporated herein by reference; and

WHEREAS, staff prepares annual operating budgets and capital improvement plans to operate, maintain, and invest in the water system to ensure safe and reliable water service to all customers; and

WHEREAS, the costs to operate and maintain the system have increased since the last rate increase in 2021 and will continue to increase due to inflation and other factors over the next five year period (2024-2028); and

WHEREAS, the costs to purchase State Water Project supplies have increased by \$2M over the last two years; and

WHEREAS, staff determined that a minimum annual capital improvement investment increase from \$6,000,000 to \$8,000,000 by 2028 is necessary to maintain a reliable water system and replace aging infrastructure; and

ATTACHMENT 1

WHEREAS, pursuant to the City's Fiscal Policy, the City will maintain a prudent level of reserve funds in the Water Fund as determined during the periodic rate-setting process; and

WHEREAS, the water cost of service rate analysis included prudent levels of Water Fund Reserves for Operating, Emergency, Rate Stabilization, Water Supply, and Capital Improvement Program; and

WHEREAS, use of Water Fund Reserves may occur based on actual revenues and expenditures in a particular fiscal year and will be reported as such in fiscal reports and budget updates; and

WHEREAS, water rates are subject to the provisions of California Constitution Article XIID (Proposition 218); and

WHEREAS, on September 19, 2023, City Council authorized staff to mail a Special Notice of Water Rate Adjustment and Public Hearing regarding water rates to all property owners and water customers who are not property owners (tenants) in accordance with Government Code 53755 attached hereto as Exhibit "B", and incorporated herein by reference; and

WHEREAS, a total of 30,994 Special Notices of Public Hearing regarding the proposed adjustment to water rates and the opportunity to protest were mailed to customers on September 22, 2023, at least 45-days prior to the scheduled public hearing; and

WHEREAS, a majority protest pursuant to the provisions of California Constitution Article XIID (Proposition 218) was not received during the 45-day public comment period or at the public hearing; and

WHEREAS, based on the 2023 Water Cost of Service Rate Study by Black and Veatch and Staff's analysis, the proposed water rates are necessary for the following reasons:

1. To cover rising costs to operate and maintain the water system due to inflation, supply chain challenges, and other factors.
2. To cover rising costs of Water Supply purchased through the State Water Project.
3. To provide an additional \$2 million in annual contributions to capital improvement projects to renew and replace aging infrastructure.
4. To fund debt service for a \$100 million bond issuance for Lake Hennessey Treatment Plant Improvements, 36-inch transmission main replacement, expansion of the Hennessey Spillway, and future recommendations of the 30-Year Water Master Plan.

ATTACHMENT 1

5. To continue the longstanding commitment to provide safe and reliable water to the community; and

WHEREAS, the proposed rate adjustments are necessary to cover the cost to provide Treat & Wheel services; and

WHEREAS, the RateShare program is proposed to be maintained at \$25 discount per bi-monthly bill for those customers that apply and show proof that they are eligible for the PG&E Care Program; and

WHEREAS, on November 7, 2023, the City Council held a duly noticed public hearing on the actions identified in this resolution, and the Council considered all information related to this matter as presented at the hearing, including a consideration of all protests against the proposed water rates.

NOW, THEREFORE, BE IT RESOLVED, by the City Council of the City of Napa, as follows:

1. The City Council hereby determines that this action is exempt from CEQA pursuant to Sections 15061(b)(3) and 15273 of the Guidelines, which exempts the establishment, modification, restructuring, or approval of rates, tolls, fares, or other charges by public agencies for the purpose of meeting operating expenses and obtaining funds for capital projects necessary to maintain service within existing service areas based on the findings in Exhibit "D," attached hereto and incorporated herein by reference. The Council further finds that there is no indication of unusual circumstances that would create a reasonable possibility that approving the water rates would cause a significant effect on the environment.

2. The City Council hereby finds that in accordance with the Water Cost of Service Rate Study, the single family residential, multi-family residential, commercial, and irrigation customers both inside and outside city, fire services, and pumped zone surcharges meet the substantive applicable provisions as set forth in the California Constitution, Article XIID, section 6(b) and Government Code 53755 as follows:

- A. The revenues derived from the rates do not exceed the cost of providing service to single family residential, multi-family residential, commercial, and irrigation customers inside the city, outside the city, in pumped zones, or the customers of the system as a whole.
- B. None of the revenues derived from rates are used for any other purpose other than meeting the costs of providing water service.
- C. The revenues derived from rates are used for services actually used by, or immediately available to, the person or owner of the property responsible for the payment of the rate.
- D. The amount recovered via the rates from any person or parcel

ATTACHMENT 1

does not exceed the proportional cost of the service provided.

E. No rate is assessed any person or parcel unless that person or parcel is receiving water service; and

3. The City Council hereby adopts the water rates for single family residential, multi-family residential, commercial, and irrigation customers both inside and outside city, fire service charges and pumped zone surcharges for all water service provided after January 1, 2024, October 1, 2024, October 1, 2025, October 1, 2026, and October 1, 2027, respectively. Details of the amended water rates for each year are as specified under each relevant "Proposed" column on pages 3 and 4 of Exhibit "B".

4. The City Council hereby defines the customer classes of single family residential, multi-family residential, commercial, irrigation, inside city, outside city, pumped zone, and fire services, as it pertains to water rates, as defined in Exhibit "E," attached hereto and incorporated herein by reference.

5. The City Council hereby directs staff to publish the water rates in the Master Fee Schedule, consistent with Policy Resolution No. 16 (R2018-046), by incorporating the rates listed on pages 3 and 4 of Exhibit "B".

6. The City Council hereby adopts the rates for Treat & Wheel services as defined in Exhibit "C.", attached hereto and incorporated herein by reference.

7. The City Council hereby authorizes the continuation of the RateShare program as a \$25 discount per bi-monthly bill, based on budget availability, for those customers that apply and provide proof of enrollment in the Pacific Gas and Electric Care Program.

8. The City Council hereby approves the Water Fund Reserve Policy, attached hereto and incorporated herein by reference, identified on Exhibit "F."

9. In accordance with Resolution R2016-162, the City Council hereby authorizes the City Clerk to organize and publish this resolution and Water Fund Reserve Policy as a part of the City Council Policy Resolutions.

10. The City Council hereby authorizes transfers within the Water Fund to establish Reserves for Fiscal Year 2023-2024, based on Fiscal Year 2022-2023 year end results, at the maximum levels as specified in the Water Fund Reserve Policy.

11. The City Council hereby finds that the facts set forth in the recitals to this resolution are true and correct, and establish the factual basis for the City Council's adoption of this resolution.

12. This Resolution shall take effect immediately upon its adoption.

ATTACHMENT 1

I HEREBY CERTIFY that the foregoing Resolution was duly adopted by the City Council of the City of Napa at a public meeting of said City Council held on the 7th day of November, 2023, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

ATTEST: _____
Tiffany Carranza
City Clerk

Approved as to form:

Michael W. Barrett
City Attorney