

SPECIAL MEETING OF THE MADERA CITY COUNCIL

205 W. 4th Street, Madera, California 93637

NOTICE AND AGENDA

Tuesday, March 24, 2015
12:00 p.m.

Council Chambers
City Hall

CALL TO ORDER

ROLL CALL: Mayor Robert L. Poythress
Mayor Pro Tem William Oliver
Council Member Charles F. Rigby
Council Member Sally J. Bomprezzi
Council Member Andrew J. Medellin
Council Member Donald E. Holley
Council Member Derek O. Robinson Sr.

PUBLIC COMMENT:

The first fifteen minutes of the meeting are reserved for members of the public to address the Council on items which are within the subject matter jurisdiction of the Council. Speakers shall be limited to three minutes. Speakers will be asked to identify themselves and state the subject of their comment. If the subject is an item on the Agenda, the Mayor has the option of asking the speaker to hold the comment until that item is called. Comments on items listed as a Public Hearing on the Agenda should be held until the hearing is opened. The Council is prohibited by law from taking any action on matters discussed that are not on the Agenda, and no adverse conclusions should be drawn if the Council does not respond to public comment at this time.

AGENDA ITEMS

1. Workshop to Discuss Financial Plans and Receive Direction from Council Regarding the Establishment of Water and Sewer User Fee Rates (Report by Dave Randall)
2. Council Reports

ADJOURNMENT – Next regular meeting April 1, 2015

Any writing related to an agenda item for the open session of this meeting distributed to the City Council less than 72 hours before this meeting is available for inspection at the City of Madera Office of the City Clerk, 205 W. 4th Street, Madera, California 93637 during normal business hours.

The meeting room is accessible to the physically disabled, and the services of a translator can be made available. Request for additional accommodations for the disabled, signers, assistive listening devices, or translators needed to assist participation in this public meeting should be made at least seventy two (72) hours prior to the meeting. Please call the Human Resources Office at (559) 661-5401. Those who are hearing impaired may call 711 or 1-800-735-2929 for TTY Relay Service.

Para asistencia en Español sobre este aviso, por favor llame al (559) 661-5405.

I, Sonia Alvarez, City Clerk for the City of Madera, declare under penalty of perjury that I posted the above agenda for the special meeting of the Madera City Council for Tuesday, March 24, 2015, near the front entrances of City Hall at 3:00 p.m. on March 20, 2015.

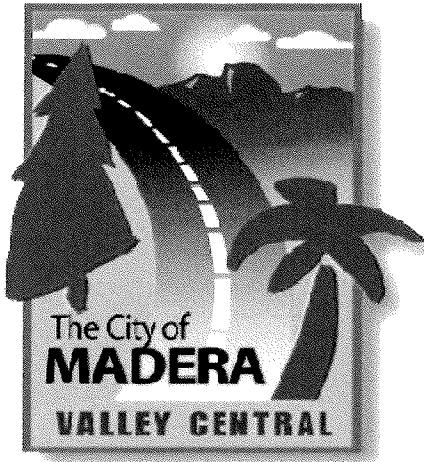


Sonia Alvarez, City Clerk

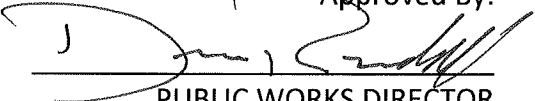
REPORT TO CITY COUNCIL

MEETING DATE: March 24, 2015

AGENDA ITEM NUMBER: 1



Approved By:


PUBLIC WORKS DIRECTOR


CITY ADMINISTRATOR

SUBJECT:

Workshop to Discuss Financial Plans and Receive Direction from Council Regarding the Establishment of Water and Sewer User Fee Rates

RECOMMENDATION:

It is recommended that the Council, after considering the information presented, provide direction to staff to incorporate one or more financial scenarios into formal sewer and water utility rate schedules. As directed, staff will bring the updated rate schedules back to the Council at which point it may consider whether to publish the proposed rates and initiate the Proposition 218 Protest hearing process.

BACKGROUND:

The water and sewer rates were last adjusted in June of 2010. The rates included 4% increases over five years. Utility rates with annual adjustment factors may be set for a maximum of 5 years at a time. As such, a new rate schedule should be adopted for next year. The Council previously approved the budget for hiring a consulting firm to do this analysis and approved the award of the bid to Raftelis Financial Consultants Inc. to prepare the analysis required for the Proposition 218 rate hearings.

DISCUSSION:

Staff has worked with the Consultants to collect the relevant data and develop alternate financial scenarios that allow the City to achieve its key objectives while minimizing effects on rate payers to the extent possible. Examples of these objectives include meeting normal and peak operating demands, providing funding for capital equipment and facilities, meeting debt coverage ratios, and reflecting the drought conditions facing the region. Although all of these factors affect how rates are calculated, the single most significant factor is how much revenue is required in order to meet capital improvement needs. In preparation for the rate analysis, staff described to the Council the potential for significant rate increases, largely due to capital improvement needs in both deferred maintenance (such as old pipes) and new improvements (such as a new water storage tank).

Rather than preparing a single set of calculations that produced defined rates, Raftelis worked with Staff to prepare 3 financial planning scenarios which each have varying effects on utility rates. However, it is unlikely the City can avoid significant increases without sacrificing at least some of its key objectives. The scenarios vary with regard to how much capital project funding is included, when the rate revenue for capital projects is required, the extent to which bond funding is utilized, the timing of potential bond issuance, etc.

At the workshop, Raftelis will present the financial planning scenarios to the Council and describe how fund balances, debt coverage ratios, and potential rates are affected. After the Council provides direction on preferred scenario(s), actual detailed rate schedules will be prepared and brought back to the Council for approval to be published as proposed rates. After the minimum 45 day public notice period, the City Council, at a public hearing, may adopt the rates if there is not a majority protest filed by rate payers.

The provisions of Proposition 218 for the approval of rates for water and sewer services are different than for other public fees such as lighting and landscaping districts. This process does not require that the City receive a majority vote in support of the rates; it merely prohibits the City Council from adopting the new rates if the City receives protest ballots from more than fifty percent of the rate payers. Barring receipt of such majority protest, the Council is able to set the rates, as long as the required study verifies that the rates are reasonably proximate to the costs of service. In other words, the rates cannot be in excess of what it costs to provide the service.

FINANCIAL IMPACT:

The proposed rate increases are necessary to keep pace with increasing operational costs and to make essential repairs and improvements to property, plant and equipment (infrastructure). This past fiscal year, the Water Fund budget experienced a \$99,089 reduction in fund balance and the Sewer Fund experienced a \$59,089 reduction of fund balance, which put the City of Madera out of compliance with its debt covenants. If the City continues to be out of compliance with its debt covenants, that will result in downgraded credit ratings and higher costs of borrowing for the City.

CONSISTENCY WITH THE VISION MADERA 2025 PLAN:

The proposed action is consistent with Vision Plan Action Items 112.1 & 115.5.

Action Item #112.1

Review Development Impact Fees every two years or less. All other fees are evaluated as often as needed, but not less than three years.

Action Item #115.5

Insure the physical and financial sustainability of the City's existing and expanding sewer and water infrastructure.

- A. Develop a comprehensive detailed inventory of the existing water and sewer collection systems that forecasts the probable life, and periodic major maintenance and/or replacement of all of the individual elements.
- B. Provide a long term financial plan that financial forecasts the required capital repairs to the existing system and corresponding revenues.
- C. Where feasible, include appropriate funding in annual and CIP budgeting and determination of user rates.