

City customers face planned increase in water rates

By Malia Spencer/SENIOR STAFF WRITER

A nearly 30-year-old city policy that allows for automatic annual increases in water and sewer rates is being re-thought in light of a court decision mandating that such actions be preceded by a public hearing.

The City Council is planning its first such hearing July 3, in anticipation of a 5-percent increase in water rates and sewer rates for next fiscal year.

Though the city is holding a public hearing, some residents have questioned the timing, noting that the hearing is scheduled for the same day that the rate increase is slated to take effect. Others criticize the city for using water money for other purposes while asking rate payers to foot more of the bill for the water system.

The city says the rate increases are needed to cover the cost of buying state water as well as operating and maintaining the system.

Since 1978, city residents have seen a 5-percent increase in water and sewer rates on July 1 of every year. However, in a 2006 case called *Bighorn-Desert View Water Agency v. Kari Verjil and E.W. Kelly*, the California Supreme Court ruled that water rate increases are subject to the procedures for property-related fees that are set out in state Proposition 218.

As a result of the Bighorn ruling, Santa Maria officials are holding a public hearing to hear any protests to the proposed 5-percent increases, said Senior Assistant City Attorney Wendy Stockton.

However, for the rate payers to block the increase, roughly 11,000 written protests would have to be received by the council at the July 3 hearing, according to city staff.

The hearing is scheduled on the same day that the increase is set to take effect, city officials said, because they were caught off guard by the Bighorn case and it took time to decide what to do about it.

Next year, city staff members said, they intend to conduct the public hearing two to three months prior to the increase.

Santa Maria water and sewer customers received written notices, in English and Spanish, of the upcoming rate increase with their May water bills.

At a recent council meeting, Vibiana Saavedra, a member of the Santa Maria Community Coalition, spoke against the rate increase and the process the city was following.

Since the public meeting is being held the same day the increase is set to take effect, she called it an insincere move on the part of the city.

The group is also critical of the notices themselves, since the text did not tell people that they have the right to protest the increase.

“There are provisions for people who want to object, and the community should know what they are,”

Saavedra said, even if it does take a huge number of protests to block the increase.

Homes in Santa Maria are charged a flat rate, based on meter size, and an additional rate based on water consumption. A typical home uses 15 units of water in a month - one unit of water equals 100 cubic feet.

An average Santa Maria home is expected to see a \$3.52 increase in water costs for a monthly total of \$73.86, up from \$70.34.

Residences are charged a flat rate of \$10.48 for sewer service, which will rise to \$11.01.

For the past 30 years, the annual rate increase has been incorporated into the water budget, said Utilities Director Rick Sweet, and this year would bring in an additional \$2.2 million.

“Everything we have done as far as expenses is based on that increase taking place,” he said. “The only change is now we have to go through a notification system that is different than before.”

Even with the annual increase, expenses still exceed revenue, Sweet said, and reserves will be needed to pay off some of that debt.

If the city didn't increase rates, then its reliance on reserve funds would increase significantly, he added.

Further, he said, in the future officials will need to come up with a new revenue plan because even with an annual 5-percent increase, fund reserves would be exhausted by 2015.

The high cost of the water system is due to the cost of state water, the construction of facilities to bring in state water and on ongoing maintenance of the system, officials say.

The city has been criticized by some residents in the past for not putting all funds obtained through the sale of surplus water back into the system but instead using it for other purposes, such as starting a revolving loan fund for business attraction and retention.

“If the water fund requires money, then why are we siphoning off money? This is supposed to be an enterprise fund. Money should stay in that fund,” Saavedra said. “... If the system requires maintenance and we are now raising public fees because it needs maintenance, then that's foolish.”

Santa Maria has gained about \$3 million from the sale of water, Sweet said, which may take care of only a single year of revenue shortfall.

“But really that just delays the problem from occurring,” he said. “It doesn't make the problem go away.”

Though officials are still working on financing programs, Sweet noted that the city's decision to import state water has been a “noble task” in the long run.

“It's critical to realize what Santa Maria has done for the water situation for the valley,” he said, “importing higher-quality water and increasing the quantity and quality of groundwater in the basin.”

Malia Spencer can be reached at 739-2219 or mspencer@santa

mariatimes.com.

June 22, 2007