



Agenda Item No: 3.a

PLACENTIA CITY COUNCIL AGENDA REPORT

Meeting Date: July 15, 2025

Submitted by: Gabriel Guerrero-Gabany

From: Public Works

Subject:

2025 Sewer Cost Recovery Fee Rate Study and Resolution Setting the Public Hearing

Financial Impact:

Fiscal Impact:

Expense: \$5,000 Mailing Expense

Budgeted: \$5,000 FY 2025-26 Operating Budget Sewer Maintenance Fund

There is no immediate fiscal impact associated with this Study Session. Based upon City Council policy direction, Staff will finalize any proposed sewer rate cost recovery adjustments and return to the City Council at a later date to initiate the public hearing and the Proposition 218 process.

Summary:

The Public Works Department is responsible for administering over 84 miles of gravity sanitary sewer pipeline. In 2021 the City approved a sewer rate increase. This increase was meant to provide sufficient funding to maintain the existing sewer system and budget necessary capital improvements identified in the adopted 2018 Sewer Master Plan. The adopted sewer rate provided an annual increase of 3% per year to account for inflation over 5 years. The annual increase is set to expire at the end of FY 2025-26, after which fees will remain flat until a new sewer fee schedule is adopted.

Since that time, the Sewer Enterprise Fund has provided sufficient budget for routine maintenance but not for capital improvements. This presentation will provide a summary of the needed capital improvements, review the draft revised sewer rates necessary to implement those capital improvements, and receive direction from City Council regarding the recommended adjustments.

If approved by City Council the public hearing date would be set for October 7, 2025 and Staff would begin the Proposition 218 process.

Recommendation:

Recommended Action:

It is recommended that the City Council take the following actions:

1. Receive and file the Staff report and presentation; and
2. Ask any questions of Staff; and

3. Adopt Resolution No. R-2025-40, a Resolution of the City Council of the City of Placentia, California, declaring its intention to adopt increased sanitary sewer system service fees, setting a public hearing for October 7, 2025, and directing Staff to provide notice pursuant to Proposition 218; and
4. Adopt Resolution No. R-2025-41, a Resolution of the City Council of the City of Placentia, California, adopting procedures for establishing and increasing property related fees and charges under Proposition 218.

Strategic Plan Statement:

This item is consistent with the City Council approved 5-Year Strategic Plan Goal 1: By ensuring long-term fiscal sustainability and Strategic Goal 5: By implementing public infrastructure to meet community needs.

Discussion:

The presentation to City Council will provide the background and analysis relative to a potential increase to the City's existing sewer collection rate. In general, the operation and maintenance costs of the City's sewer collection system have been sufficiently covered by the current sewer collection rate adopted in 2021. However, revenues have not been sufficient to cover the capital needs identified in the 2018 Sewer Master plan. The City, therefore, has a deferred backlog of much needed sewer system capital improvements.

Increases to the rate are recommended in order to provide sufficient funding to expand the capacity of the existing collection system, provide for much needed sewer rehabilitation and to ensure the Sewer Enterprise Fund remains financially solvent. If recommended by the City Council the public hearing date would be set for October 7, 2025 and the notification process, in conformance with Proposition 218 requirements, would begin. In addition, Staff would engage the community with information and outreach explaining the proposed adjustments to the sewer rate with a goal of implementing the new rates by November 2025.

Background:

The City currently maintains 84 miles of gravity sanitary sewer pipelines and approximately 600 manholes. The City's wastewater is transferred into the Orange County Sanitation District's (OCSD) collection system via 35 separate connections for treatment. Yorba Linda Water District (YWLD) owns and maintains 10 miles of sewer lines within the City's borders.

On April 26, 2002, the Santa Ana Regional Water Quality Control Board (RWQCB) issued Board Order (Order) No. R8-2002-0014, which prohibited the discharge of untreated sewage to any surface water storm or drainage system. This Order included numerous provisions, including the requirement for every agency to prepare a Sewer System Management Plan (SSMP) to address all requirements of the Order by September 30, 2005. In 2005, the City adopted a sanitary sewer fee and established the Sewer Maintenance Enterprise Fund to meet the increased costs and to comply with regulations adopted by the Santa Ana RWQCB.

The City adjusted the sanitary sewer fee rates in March 2005 even though the costs associated with maintaining the City's sewer system continued to rise. In 2021 the City adopted a revised sewer service fee structure, shown below.

User Class	FY 2021-22 (per CCF)	FY 2022-23 (per CCF)	FY 2023-24 (per CCF)	FY 2024-25 (per CCF)	FY 2025-26 (per CCF)
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Single Family Residential	\$0.72	\$0.74	\$0.76	\$0.79	\$0.81
Multi-Family Residential	\$0.82	\$0.84	\$0.87	\$0.89	\$0.92
Commercial	\$0.96	\$0.99	\$1.02	\$1.05	\$1.08
Industrial	\$0.96	\$0.99	\$1.02	\$1.05	\$1.08
Institutional	\$0.53	\$0.54	\$0.56	\$0.58	\$0.59
Government & Public	\$0.72	\$0.74	\$0.76	\$0.79	\$0.81

The established fees increased at 3% per fiscal year to account for inflation. The annual increase is set to expire after this fiscal year, at which point the fee will remain flat until a new sewer fee is established. While the fee revenues have provided sufficient funding for maintenance needs, they have not provided sufficient funding for the ongoing capital improvement needs. Based on the 2018 Sewer Master Plan adopted by City Council, the estimated deferred sewer capital improvement costs are approximately \$18.9M.

2025 Sewer Cost Recovery Fee Rate Study:

The completed analysis reviewed a five-year cost of service to continue ongoing maintenance while providing sufficient funding for capital improvements identified in the 2018 Sewer Master Plan to be completed over the next 5 years. To mitigate the effects of variable water usage, which led to the unreliability of the current fee structure, Staff is recommending a flat CIP fee be applied to each user category, with multi-family residential users tiered based on a range of units. This would provide a reliable revenue source to ensure capital sewer improvements could be completed. The proposed fee structure will continue to include a portion of the sewer fee based on water consumption per user category and charged on a per hundred cubic foot (CCF) unit.

The analysis was presented to the Sewer Utility, Refuse, and Recycling Ad-Hoc Committee (SURR Committee) at their June 10, 2025 meeting. Staff presented their recommendations and proposed an updated sewer rate structure. Upon a thorough review, the Committee provided Staff direction and recommended that the rates be forwarded to City Council for consideration.

The table in Attachment 1 provides a summary and breakdown of the proposed sewer fee rates over the next five years.

Proposition 218 Process

The City's ability to adjust rates is governed by Proposition 218. In 1996, California voters approved Proposition 218 which requires a specific process for cities to impose or increase certain types of fees. The provisions of Proposition 218 set forth in Article XIII D of the California Constitution provide that certain types of "Property Related Fees" are subject to a "majority protest" process.

The provisions of Proposition 218 set criteria for property-related fees for refuse, water, and sewer services. The fees must be set so that:

- The revenues generated by the fee do not exceed the cost of service
- No property owner's fee exceeds his/her proportionate share of the costs
- The City does not impose a property-related fee for a service that is not available to the

property owner

Upon incorporation of the City Council's recommendations and direction to send Proposition 218 notices, pursuant to California constitution Article XIII D, Section 6, Staff will prepare and send notices to all property owners (and as a courtesy to all customers, i.e. tenants) that receive sewer service from the City. There will be a 45-day public notice period at which time, property owners and customers may send written protests for consideration by the City Council. Protests from property owners will be tallied at the public hearing tentatively set for October 7, 2025. Notwithstanding a majority protest, City Council can consider verbal testimony from anyone and written protests from non-property owners and decide to approve the rates.

Proposition 218, and subsequent legislation AB 1260, define the process for establishing or adjusting property-based fees. The process requires a notice of the proposed fee be sent to all property owners in the City and 45 days after the notice is sent, a public hearing be conducted by the City Council. During the 45-day period and up until the close of the public hearing, a property owner may protest the fee by submitting a written protest. If more than 50% of the property owners of record in the City protest the fee, the City Council would be prohibited from enacting the fee change.

Below is a tentative timeline of the steps necessary to complete the process:

Step	Date
Adoption of Resolution to Set Public Hearing and Direct Staff to Initiate the Proposition 218 Process	July 15, 2025
Community Outreach	July 23, 2025 - October 7, 2025
Staff finalizes the Public Notice for printing and mailing	July 16, 2025 - July 23, 2025
Notice of Public Hearing - 45 Day Minimum Notice	August 7, 2025
Public Hearing	October 7, 2025
Effective Date of Rates	November 7, 2025

Staff recommends that the City Council adopt a resolution stating the City's intention to adopt the proposed Sanitary Sewer Service Fees for fiscal years 2025-26 through 2030-31 and sets a public hearing date of October 7, 2025, in conformance with Proposition 218 (Attachment 2) and a second resolution that establishes the procedures for establishing and increasing property-related fees and directs Staff to commence the 45-day protest process consistent with Proposition 218 (Attachment 3). A notice including procedures for submitting a written protest will be mailed to all property owners shown on the last equalized property tax assessment roll that receive sewer service from the City. The notice will include information about sewer services in the City and the reason for the proposed rate increase, as well as the current rates and proposed rates. Owners will be informed that if they wish to protest the proposed new rates, they must submit their written protest to the City Clerk in advance or on the night of the public hearing prior to the close of the hearing.

Fiscal Impact Summary:

The cost for postage for mailing out the public hearing notice for the proposed rate increase to

the City's sewer rates is estimated at \$5,000. There are budgeted funds in the Fiscal Year 2025-26 Sewer Enterprise Fund budget to cover these costs. There is no impact to the General Fund.

Attachments

[Attachment_1_-_Proposed_2025_Sewer_Rates.pdf](#)

[Attachment 2 - Public Hearing Resolution No 2025-40.pdf](#)

[Attachment 3 - Ballot Procedures - Resolution No. 2025-41.pdf](#)

[Attachment 4 - 2025 Sewer Fee Update Presentation.pdf](#)