



# City of Oceanside

300 North Coast Highway,  
Oceanside, California 92054

## Staff Report

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**File #:** 24-510

**Agenda Date:** 2/5/2025

**Agenda #:** 15.

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**DATE:** February 5, 2025

**TO:** Honorable Mayor and City Councilmembers

**FROM:** Water Utilities Department

**TITLE: ACTIONS RELATING TO WATER USER RATES AND WASTEWATER RATES AND IMPLEMENTING A PROTEST PROCEDURE UNDER AB 2257**

### **RECOMMENDATION**

Staff recommends that the City Council introduce ordinances amending Chapters 29 and 37 of the City Code allowing Water and Wastewater rates to be approved by a resolution of the City Council, and introduce an uncodified ordinance to establish a protest procedure under AB 2257, thereby providing an administrative remedy that must be exhausted as a prerequisite to filing a legal challenge to rate changes under Proposition 218.

### **BACKGROUND AND ANALYSIS**

The Oceanside Water Utilities Department (Utility or Department) provides water and wastewater services to residents and commercial customers in the City via an extensive system of treatment plants, pump stations, lift stations, distribution and collections pipelines and appurtenances. The 42 square mile service area of the utility includes five treatment plants and provides water and wastewater services to over 44,000 connected accounts annually.

Water and wastewater services are paid by the consumer on a monthly basis. Presently, changes to rates are brought to City Council at a public hearing, and Council votes to approve or deny rate increases in the form of an ordinance. Staff is recommending that this process change from approval via ordinance to approval via resolution while still holding a public hearing. This change is an administrative/process change, and does not fundamentally diminish ratepayers' ability to protest in any way; the existing 45-day minimum notice of proposed rates and protest period under Proposition 218 would remain.

Previously, California law required the sewer rates be approved by ordinance only, however, the law was changed in 2016 to allow either an ordinance or a resolution. The net benefit from this change is that resolutions are effective upon adoption, or upon any date agreed to by a City Council majority vote, whereas Ordinances require a second reading, affirmative vote, and are effective 30 days after the second reading, unless a majority vote of the City Council approves the ordinance as an urgency matter. This process can take anywhere from 45-60 days for completion. As rate changes are meant to recapture the actual cost of providing service, allowing rates to be changed via resolution will allow

implementation of new rates (higher or lower) in a more timely manner. This is especially important if a rate hearing is held in December.

Staff also recommends that the City Council introduce an uncodified ordinance adopting the exhaustion of administrative remedies procedure as outlined in Government Code Section 53759.1, and the administrative record principles contained in Government Code section 53759.2. Implementing these changes will provide greater opportunities for the public to comment on proposed rate changes and for the City to consider and respond to those comments prior to City Council's decision on the proposed rates. These modifications are made possible by AB 2257, which added the two Government Code Sections noted above, and was signed into law on September 25, 2024.

Staff reviewed how other Cities/Districts amend their rates and a summary of the findings is included as Attachment 6 to this staff report.

### **FISCAL IMPACT**

This action has no fiscal impact, as it is a process change only. Water and wastewater rate increases will still be approved by City Council after a public notice and public hearing under the terms of Proposition 218.

### **COMMISSION OR COMMITTEE REPORT**

The Utilities Commission, approved staff's recommendations at its regularly scheduled meeting on January 21, 2025.

### **CITY ATTORNEY'S ANALYSIS**

The referenced documents have been reviewed by the City Attorney and approved as to form.

Prepared by: John McKelvey, Principal Management Analyst

Reviewed by: Lindsay Leahy, Water Utilities Director

Submitted by: Jonathan Borrego, City Manager

### **ATTACHMENTS:**

1. Staff Report
2. Redline of Amendments to Chapter 37 of the Oceanside City Code
3. Redline of Amendments to Chapter 29 of the Oceanside City Code
4. Proposed Ordinance allowing Water and Wastewater rates to be approved by a resolution
5. Proposed uncodified Ordinance to establish a protest procedure under AB 2257
6. Comparison of Other Agencies