

Water and Sewer Questions of the Week

We are taking notice of the questions submitted regarding the current water and sewer rate study. With each City E-Blast, two or three water and/or sewer related questions and answers are presented. The questions are selected from the questions we have received at the various community meetings, at City Council meetings, and from your phone calls. These questions and answers are also posted to the City's Facebook page and website.

This week's questions are:

How do I get information regarding what the proposed new water and sewer rates?

Information about the water and sewer rate study is available on the City's website at:

<http://www.cityofsierramadre.com/water>

The most recently posted information is the presentation for the November 12th City Council meeting and the preliminary draft Water and Sewer Fee Study report. You can also "Search City Documents" for copies of City Council Agenda reports. The staff report for the November 12th City Council meeting will be available Friday evening.

In addition, if the City Council decides to proceed with the water and sewer rate increase process and the Proposition 218 protest process is initiated, the City will be mailing information to all water and sewer customers regarding the proposed rate increase. There will be a fact sheet, a protest form, and other information included in the mailing.

Lastly, you can also contact City Hall to ask questions.

What happens if the proposed water rate increase is not approved?

Should a water rate increase not be adopted, the water fund would continue to use reserves to fund current operations, until the reserves are depleted. This is the equivalent of your annual household expenses exceeding your annual income and needing to use your savings account to make up the difference. When looking at the City's water department, a few of the possible outcomes are:

- Deterioration of the water system due to age and use will continue. Without proper maintenance, replacement and repair of the City's water system there is a high likelihood that water service and supply would be jeopardized.
- Low and possibly depleted reserves means limited, or no response to emergency repairs or disasters.
- Reduction in staffing and other cost savings measures will result in reduced customer service. Reduced customer service means slower response to water leaks, water main breaks, and customer requests.

- Without proper reserves or revenue streams, Sierra Madre will not have funding for the local match required to apply for possible Federal funding and other possible grant funding. The ability to participate in joint water projects, such as those being done with the County, Arcadia and Watermaster, could also be hampered. Missed opportunities to obtain grant funding and participate in joint projects shifts the cost burden for joint water projects to Sierra Madre rate payers.
- Without proper revenue to cover operational expenses, which include the City's bond covenants, the City's Water Fund credit and bond rating could further deteriorate. In September 2011 Moody's investor service downgraded the City's Water Enterprise bond to an A3 rating from an A1 rating. The rationale for the downgrade was insufficient debt service coverage levels and slow implementation of increased rates.
- If extreme financial distress were to result, such that expenses continue to exceed revenues after all the reserves have been exhausted, the Water Department might have to be sold. If sold to a private water company, there is no Proposition 218 process to increase water rates of private companies. If the water utility is sold, it would be very difficult to re-purchase the water operation.

What happens if the proposed sewer rate increase is not approved?

Quite simply, the City's ability to maintain its sewer system in safe working condition will be jeopardized. Once Sewer Fund reserves are depleted, operating costs will have to be reduced. This will be possible only through staffing reductions. Sewer cleaning and inspection frequencies will decrease, with a corresponding increase in the risk of sewer overflows.

Absent adequate sewer maintenance staff, it would be possible to contract for annual sewer cleaning and inspection. However, emergency response times could increase greatly if the City was to rely upon a contractor for this service. Longer response times would cause the impact of sewer spills to increase, along with cleanup costs and the risk of State enforcement action.

All public sewer overflows must be reported to the State Water Quality Control Board. The Board can issue fines to public agencies for sewage spills, particularly when the Board finds that inadequate sewer maintenance or delayed/insufficient response were contributors to an overflow, or a factor that increased the impact of an overflow. Fines of \$27,500 per day or greater may be assessed by the Board. In some instances fines have exceeded \$1,000,000. In fact, such fines have been imposed on local agencies. For example, one San Gabriel Valley City Council recently agreed to pay \$225,000 in fines, with another \$675,000 due if that city does not complete \$11,000,000 in sewer repairs/replacements within the next five years. That city will be undergoing the sewer rate increase process in order to cover the cost of the sewer improvements.