

Resolution No. 2008-100 N.C.S.
of the City of Petaluma, California

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PETALUMA
EXPRESSING THE CITY COUNCIL'S OPPOSITION TO AN INITIATIVE TO
REDUCE CURRENT CITY OF PETALUMA WASTEWATER AND WATER SERVICE
RATES TO RATES IN EFFECT ON JANUARY 1, 2006, AND PROVIDE FOR
SPECIFIED ANNUAL ADJUSTMENTS THERETO, TO BE PRESENTED TO THE
ELECTORATE ON NOVEMBER 4, 2008**

WHEREAS, on July 16, 2007, the Petaluma City Council adopted a resolution directing that an "Initiative to Reduce Current City of Petaluma Wastewater and Water Service Rates to Rates in Effect on January 1, 2006 and Provide for Specified Annual Adjustments Thereto" be presented to Petaluma voters at the general election on November 4, 2008 in accordance with California Election Code requirements; and,

WHEREAS, this resolution came before the City Council at a public hearing on June 2, 2008 at which members of the public, including proponents and opponents of the Initiative, were free to comment on the Initiative and this resolution; and,

WHEREAS, the City Council makes the findings of fact enumerated in Exhibit A, which is attached to and made a part of this resolution, and based on such findings of fact.

**NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF PETALUMA
DOES HEREBY RESOLVE AS FOLLOWS:**

1. The above recitals and the findings of fact in Exhibit A are hereby declared to be true and correct and findings of the City Council of the City of Petaluma.

2. Although Petaluma water and sewer rates rank in the middle of water and sewer rates of Sonoma County cities, the "Initiative to Reduce Current City of Petaluma Wastewater and Water Service Rates to Rates in Effect on January 1, 2006 and Provide for Specified Annual Adjustments Thereto" would further reduce the City's water and sewer rates, and roll back 2008 rates to rates in effect in January, 2006.

3. The Initiative would roll back City of Petaluma water and sewer rates below levels required to fund water and sewer system operations, maintenance, and capital projects as required by the terms of the City's State Revolving Fund Loan, applicable Clean Water Act requirements, City water and wastewater bonds, and other debt terms, and public facilities related policies in the General Plan 2025.

4. If the Initiative is approved, the projected revenue shortfalls in the water and sewer enterprises would threaten the City's ability to protect the environment and public health, and provide a reliable, safe, secure and economical water supply and wastewater treatment for all Petalumans.

5. The City Council supports the General Plan 2025, which establishes a long-range vision for Petaluma's physical and economic development and governs growth management and provision of City services through the year 2025.

6. The City Council opposes the "Initiative to Reduce Current City of Petaluma Wastewater and Water Service Rates to Rates in Effect on January 1, 2006 and Provide for Specified Annual Adjustments Thereto," which, if approved by Petaluma voters, would roll back City water and sewer rates in violation of the spirit and public facilities policies of the General Plan 2025, and the terms of the City's State Revolving Fund loan, applicable Clean Water Act requirements, City water and sewer bond covenants, and other debt obligations.

7. In accordance with Sections 8314 and 54965 of the California Government Code, and other applicable law, no public resources may be used to campaign for or against the Initiative.

Under the power and authority conferred upon this Council by the Charter of said City.

REFERENCE: I hereby certify the foregoing Resolution was introduced and adopted by the Council of the City of Petaluma at a Regular meeting on the 2nd day of June, 2008, by the following vote:

Approved as to form:

City Attorney


AYES: Barrett, Freitas, Harris, Nau, O'Brien, Vice Mayor Rabbitt, Mayor Torliatt

NOES: None

ABSENT: None

ABSTAIN: None

ATTEST:


Deputy City Clerk


Mayor

EXHIBIT A

FINDINGS OF FACT RELATED TO AN INITIATIVE TO REDUCE CURRENT CITY OF PETALUMA WASTEWATER AND WATER SERVICE RATES TO RATES IN EFFECT ON JANUARY 1, 2006, AND PROVIDE FOR SPECIFIED ANNUAL ADJUSTMENTS THERETO, TO BE PRESENTED TO THE ELECTORATE ON NOVEMBER 4, 2008

1. If approved by Petaluma voters, the Initiative would roll back City of Petaluma 2008 sewer and water rates to rates in effect on January 1, 2006, and limit annual increases to sewer and water rates to the annual increases in the Bay Area consumer price index.
2. On May 19, 2008, the City Council adopted the General Plan 2025, establishing a long range vision for Petaluma's physical and economic development and governing growth management and provision of City services for a projected population increase by 2025 of an additional 15,622 residents and a total 2025 population of 72,707 residents.
3. Adoption of the General Plan 2025 was the culmination of an eight-year effort involving many City bodies and community groups and individuals.
4. The General Plan 2025 requires providing a safe, reliable, high-quality, economical and sustainable water system to meet the community's needs; operating and maintaining City water recycling facilities in compliance with all State and Federal permit requirements; and requires the development of an integrated water supply plan that utilizes potable water, recycled water and water conservation to meet future water demands.
5. The City's Hopper Street wastewater treatment plant is over 70 years old, has no room for expansion, is operating near its permitted capacity, is prone to failure (as much of the equipment is operating near the end of its useful life), is prone to odor excursions, cannot meet the future needs of Petaluma identified in the General Plan 2025, and cannot consistently meet the more stringent suspended solids limits in the City's new sewer discharge permit.
6. After an extensive period of evaluation, analysis, planning and design, which began in 1989, the City commenced construction of the Ellis Creek Water Recycling Facility in October 2005 to replace the existing Hopper Street wastewater treatment plant.
7. The Ellis Creek Water Recycling Facility will produce enough tertiary recycled water for irrigation of parks and other public spaces, and sufficiently reduce demand for potable water to provide potable water supply required for domestic and commercial use through 2025 as part of the City's integrated water supply plan.
8. Construction of the Ellis Creek Water Recycling Facility is financed primarily by a State Revolving Fund loan of \$125,964,254 at an interest rate of 2.4%.
9. This below-market rate loan was secured with the help of Petaluma's state legislators, and will save Petaluma rate payers an estimated \$60 million in interest costs over the 20 year-life of the loan.
10. The terms of the City's State Revolving Fund loan require the City to impose sewer charges sufficient to fund the operation and maintenance of the City sewer system and the City's obligations under the loan, and prohibit reducing City sewer charges below that level, and also require the City to impose sewer charges that ensure that City sewer customers pay their proportionate share of the operation and maintenance of the sewer system in accordance with the federal Clean Water Act.
11. On January 22, 2007, after notice to property owners and water and sewer customers in accordance with Proposition 218, one public meeting and three public hearings, the City adopted sewer charges necessary to fund sewer maintenance and operation costs, and the

City's obligations under the State Revolving Fund loan, in accordance with the loan terms and the Clean Water Act, and water charges necessary to fund water maintenance and operation costs and debt service.

12. Petaluma's combined water and sewer rates for average single family residential customers rank fifth among the nine Sonoma County cities: four cities have rates higher than Petaluma's, and four cities have lower rates.
13. The terms of the City's outstanding water and sewer bonds require setting water and sewer rates sufficient to pay for operation and maintenance and debt service and other obligations of the City water and sewer systems.
14. If approved by a majority of Petalumans, the Initiative will create estimated combined total annual revenue shortfalls for the sewer and water systems of \$1 million in fiscal year 2008/2009, \$3 million in fiscal year 2009/2010 (when repayment of the State Revolving Fund loan begins), and \$8.4 million in fiscal year 2010/2011 (the first full year of State Revolving Loan fund payments), and approximately \$8 million per year for the next 18 years, and provide insufficient funds to pay for water and sewer operations and maintenance, debt service on the State Revolving Fund loan, and on outstanding water and sewer revenue bonds.
15. If approved by Petaluma voters, the Initiative would eliminate funding needed for capital improvement projects, including: a second water storage tank on Paula Lane, upgrading the C Street Sewer Pump Station, and expanding the City's recycled water distribution system to increase available potable water supply as required by the General Plan 2025.
16. If approved by Petaluma voters, the Initiative would eliminate funding needed for maintenance programs, resulting in deterioration of the water and sewer systems, possible environmental damage and public health risks, and potential imposition of State water quality fines.
17. The State has indicated it will not forgive or renegotiate the terms of the State Revolving Fund loan if Petaluma voters approve the Initiative.
18. The \$8.4 million water and sewer revenue shortfall estimated for fiscal year 2010/2011 is approximately 20 percent of the City's current General Fund.
19. Approval of the Initiative could result in the insolvency of Petaluma's City Government if sufficient funds are not available from other sources to replace lost water and sewer revenues and maintain essential services, and could require the City to seek bankruptcy protection to continue operating its water and wastewater utilities.