



REPORT to the MAYOR and MEMBERS of the CITY COUNCIL  
From the CITY MANAGER

DATE: July 8, 2025

SUBJECT: INTRODUCTION AND FIRST READING OF AN ORDINANCE  
AMENDING SECTION 17.12 OF THE LA MESA MUNICIPAL  
CODE TO ADJUST THE SEWER SERVICE RATES FOR  
FISCAL YEARS 2026 AND 2027

ISSUING DEPARTMENT: Public Works

SUMMARY:

Issues:

Should the City Council introduce the first reading of an ordinance to approve proposed sewer rates and amend Chapter 17.12 of the La Mesa Municipal Code to adjust the sewer rates for Fiscal Years 2026 and 2027 upon a four-fifths vote?

Recommendation:

Staff recommends that the City Council introduce the first reading of an ordinance to approve proposed sewer rates and amend Chapter 17.12 of the La Mesa Municipal Code to adjust the sewer rates for Fiscal Years 2026 and 2027 upon a four-fifths vote.

Fiscal Impact:

If approved, the proposed rates would generate sufficient revenue to fund the City's wastewater utility at the levels identified in this report for Fiscal Years 2026 and 2027. The sewer fund is an enterprise fund, and therefore, any rate adjustments would have no fiscal impact on the General Fund.

City's Strategic Goals:

- Ensure a strong financial outlook through careful planning, sustainable service levels, and fiscal sustainability.
- Invest in infrastructure to serve the needs of the community.

## Report to Mayor and Councilmembers

Date: July 8, 2025

Page: 2 of 5

### BACKGROUND:

Sewer charges are calculated to meet the revenue needs of the sewer fund in compliance with Section 204(b)(1) of the federal Clean Water Act. The Act requires that recipients of wastewater treatment services pay their proportionate share of the costs. In accordance with Section 5471 of the California Health and Safety Code, revenues derived from sewer fees are used solely for the purpose of covering program costs and expenses related to operating the City's sewer utility including sewer treatment and transportation, operation and maintenance activities, capital improvements, program administration, regulatory compliance, and program financing. Furthermore, as a recipient of a State Revolving Fund (SRF) loan, La Mesa is also required to maintain compliance with the revenue program guidelines and policies established by the State.

While the City of La Mesa operates the sewer collection system, sewage treatment is performed by the San Diego Metropolitan Wastewater System (also known as "Metro"), for which the City of La Mesa pays fees on a quarterly basis. These sewerage treatment fees represent approximately 51% of the La Mesa sewer system operation costs.

In 2022, the City Council approved rate increases of 3.4% for Fiscal Year 2023, 3.5% for Fiscal Year 2024 and 4.9% for Fiscal Year 2025 in anticipation of the ongoing cost increases related to the San Diego Metropolitan Wastewater System, and particularly the Pure Water Program, which is a multi-year capital construction program that will convert up to 83 million gallons a day of wastewater to potable drinking water.

### **Proposition 218 Process**

Prior to bringing a sewer rate adjustment to the City Council for approval, the City is required to follow the notification and public hearing requirements set forth under Proposition 218. The Proposition 218 process requires that written notification be given to all affected property owners, and that those property owners be given a 45-day period in which to submit written protests if they oppose the proposed rate adjustments. If written protests are received by a majority of affected property owners, the proposed adjustments may not be made.

On May 13, 2025, the City Council authorized staff to mail a notice of public hearing to all La Mesa property owners affected by the proposed sewer rate increase as required by Proposition 218. There are 15,030 parcels within the City of La Mesa service area. To meet the 45-day notice requirement of Prop 218, notices were mailed to parcel owners on May 19, 2025. The public hearing notice was also published in The Daily Transcript on June 19, 2025, and July 3, 2025.

Written protest from 7,515 property owners would meet the protest requirement of Proposition 218 and would stop the rates being considered by the City Council. At the time this report was prepared, staff had received 58 letters of protest. The letters received by the City Clerk's Office before June 30, 2025, are attached to this staff report as Attachment B. If by the close of the public hearing, written protests are not filed by the majority of the owners of the affected parcels, the City Council may authorize the sewer rate adjustments with a **four-fifths affirmative vote**. The ordinance amendment would require a second reading at the next Council meeting, and the new rate would take effect on August 21, 2025.

## DISCUSSION:

The purpose of this report is to request approval of the City Council to amend Section 17.12 of the La Mesa Municipal Code to adjust the sewer rates for Fiscal Years 2026 and 2027. The information provided in this report illustrates the need for an incremental rate adjustment to keep up with anticipated costs and maintain a minimum sewer fund reserve for 75 operational days or 21% of expenditures.

A financial review of the wastewater fund is completed every two years to ensure that the fund maintains a positive balance and that adequate financial resources are available as needed. The financial information provided in this report is for a five-year period with actual figures for fiscal year 2023 and 2024, estimated amounts provided for fiscal year 2025 and projected amounts for 2026 and 2027 at the proposed sewer rates. Table 1 shows the proposed annual revenue and operating expenses for the wastewater fund with the proposed rate increases.

**Table 1**

SEWER FUND OVERVIEW		Actual FY 23	Actual FY 24	Estimated FY 25	Estimated FY 26	Estimated FY 27
<b>REVENUE:</b>						
Charges for Services		\$13,241,540	\$12,800,305	\$13,188,710	\$13,762,127	\$14,611,854
Sewer Connection Fees		\$434,230	\$294,588	\$768,624	\$400,000	\$400,000
Other operating revenues		\$0	\$221,694	\$226,128	\$237,434	\$251,680
Nonoperating revenues (expenses)		\$572,493	\$218,759	\$222,229	\$221,707	\$221,423
<b>SUBTOTAL - Revenue</b>		<b>\$14,248,263</b>	<b>\$13,535,346</b>	<b>\$14,405,691</b>	<b>\$14,621,268</b>	<b>\$15,484,958</b>
<b>WASTEWATER FUND EXPENDITURES</b>		<b>Actual FY 23</b>	<b>Actual FY 24</b>	<b>Estimated FY 25</b>	<b>Estimated FY 26</b>	<b>Estimated FY 27</b>
<b>OPERATING EXPENSES:</b>						
Metro Sewer Costs		\$6,937,939	\$8,047,131	\$7,216,325	\$7,248,147	\$7,259,873
Operation and Maintenance		\$3,391,904	\$2,985,685	\$2,793,684	\$2,933,368	\$3,080,037
Insurance/ Support Services		\$2,325,800	\$2,325,792	\$2,325,792	\$2,325,792	\$2,325,792
Debt Service		\$1,240,563	\$1,170,265	\$1,149,520	\$1,120,000	\$1,600,000
<b>SUBTOTAL: Operating Expenses</b>		<b>\$13,896,206</b>	<b>\$14,528,873</b>	<b>\$13,485,321</b>	<b>\$13,627,307</b>	<b>\$14,265,702</b>
<b>Net (Revenue - Expenses)</b>		<b>\$352,057</b>	<b>-\$993,527</b>	<b>\$920,370</b>	<b>\$993,961</b>	<b>\$1,219,256</b>
<b>Wastewater Fund Ending Balance</b>		<b>\$3,530,680</b>	<b>\$2,537,133</b>	<b>\$3,457,503</b>	<b>\$4,451,464</b>	<b>\$5,670,719</b>
<b>21% Operating Budget - Min. Reserve</b>		<b>\$2,918,203</b>	<b>\$3,051,063</b>	<b>\$2,831,917</b>	<b>\$2,861,734</b>	<b>\$2,995,797</b>
Excess reserves available for CIP projects (pay as you go)		\$612,457	-\$513,930	\$625,585	\$1,589,729	\$2,674,922

## Revenue

Revenue is divided into four categories:

- Charges for Services
  - Charges for Services represent the Sewer Fees and the revenue that the City receives from sewer customers and are the subject of this report. These fees constitute the vast majority and primary source of the sewer fund revenue (96%). The revenue figures in Table 2 show the estimated sewer fund revenue resulting from the proposed sewer rate increases by account type for FY26 and FY27.

**Report to Mayor and Councilmembers**

**Date: July 8, 2025**

**Page: 4 of 5**

- Sewer Connection Fees
  - Sewer connection fees are paid by new private development as a proportional contribution to the cost of construction of the existing wastewater collection system.
- Other Operating Revenue
  - Other Operating Revenue typically includes permit fees, miscellaneous charges, and revenue from other agencies for sewer transportation through La Mesa's sewer system.
- Nonoperating Revenues (Expenses)
  - Nonoperating Revenues include investment income or losses, interest expense, intergovernmental revenue, and gain or loss on disposal of assets.

**Table 2 – Sewer Fee Revenue**

	ESTIMATED	PROJECTED	PROJECTED
Account Types	FY 2025	FY 2026	FY 2027
Single Family	\$ 6,933,205	\$ 7,185,136	\$ 7,351,218
Multi-Family	\$ 3,913,774	\$ 4,017,922	\$ 4,168,163
Commercial Low	\$ 616,059	\$ 670,546	\$ 804,051
Commercial Medium	\$ 558,918	\$ 613,120	\$ 746,337
Commercial High	\$ 746,316	\$ 801,455	\$ 935,615
Commercial Extra High	\$ 420,438	\$ 473,948	\$ 606,471
Totals	\$ 13,188,710	\$ 13,762,127	\$ 14,611,854

Expenses

The expenditure is divided into four categories:

- Metro Sewer Costs
  - Metro Sewer Costs include payments to the City of San Diego for wastewater treatment services at the Point Loma Wastewater Treatment Plant, debt service payments for Metro system improvements, and sewer transportation costs.
- Operation and Maintenance
  - Operation and maintenance includes the costs associated with maintaining the City's sewer collection system, sewer billing, personnel, capital improvement upgrades, and equipment.
- Insurance and support services
  - Insurance and support services include transfers out of the wastewater fund for liability insurance, sewer claims, and other support services.

**Report to Mayor and Councilmembers**

**Date: July 8, 2025**

**Page: 5 of 5**

- Debt Service
  - Expenditures for debt service go toward principal and interest payments for six State Revolving Fund (SRF) loans. The budget includes additional debt service projections for the upcoming SRF-funded project.

**Sewer Rate Cost to Average Single-Family Home Customer**

Based on the financial projections, staff recommends consideration by the City Council of sewer rate adjustments for the next two fiscal years. The proposed rate increases for the average single-family home customer are 5.96% for FY26 and 5.04% for FY27. For the average single-family home that uses 14 units (or 10,472 gallons during the winter months), the rate adjustment would be a \$37.86 increase to the annual bill (\$3.16 per month) in FY26 and \$33.96 (\$2.83 per month) in FY27. If the proposed rates are approved by the City Council, the City will mail property owners letters in August with the amount of their sewer bill for the coming year that will reflect the revised rate structure adjustments. Requests for sewer rate adjustments may be granted per the City's Sewer Service Charge Adjustment Policy. The process to make those requests can be found on the City's website at <https://cityoflamesa.us/sewer>.

**CONCLUSION:**

It is recommended that the City Council introduce and conduct a first reading of the an ordinance to approve the proposed sewer rate increase of 5.96% in fiscal year 2026 and 5.04% for fiscal year 2027 as described in this report (Attachment A), and amend Chapter 17.12 of the La Mesa Municipal Code to adjust sewer service charge rates accordingly, which are necessary to maintain the financial health of the wastewater fund.

Reviewed by:



Greg Humora  
City Manager

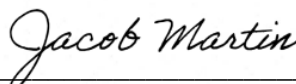


Amanda Lee  
Assistant City Manager

Respectfully submitted by:



Michael W. Throne PE  
Director of Public Works



Jacob Martin  
Senior Management Analyst

Attachments: A: Draft Ordinance  
B: Protest Letters