

CITY OF CORCORAN WATER REPORT

SUMMARY

A number of citizens from Corcoran were outraged that the Corcoran City Council had planned an emergency water rate meeting and did not make enough effort to notify the citizens. There is concern that the council did not properly notify citizens of their intent to increase the water rates as per Proposition 218.

On February 1, 2016, the City Council approved an amended Resolution 2820 (Implementing an Emergency Rate Increase for Water Rates in Order to Meet Debt Service Coverage Requirements). The amended report authorized the water rate increase in 2016 based on a water rate study conducted in 2005. Conservation efforts have caused the water usage to decrease which has affected revenues.

BACKGROUND

California Penal Code §925a provides: “The grand jury may at any time examine the books and records of any incorporated city or county...”

METHODOLOGY

Kings County Grand Jury Members attended several Corcoran City Council meetings, including special meetings regarding a water rate increase. The full agenda packets for the meetings were examined, including staff reports, resolutions and memoranda. Members of the Grand Jury also interviewed witnesses and conducted a tour of the Corcoran Water System.

DISCUSSION

History

Corcoran served as a junction for the San Francisco and San Joaquin Valley Railroads at the turn of the 20th century. The junction, a regular stop for four daily trains, consisted of a platform from which business transactions were handled for trains entering from the north, south and easterly directions.

Unsure of where the towns name came from, it has been narrowed down to two individuals prominently mentioned throughout history. General Corcoran, a San Joaquin Valley pioneer, operated a steamboat between Stockton and Tulare Lake. Thomas Corcoran a railroad superintendent worked for the Santa Fe Railroad which eventually bought out both the San Francisco and San Joaquin Valley lines.

H. J. Whitley, a prominent land developer from Southern California took the lead in building Corcoran (the main street of the community is named in his honor). He liked what he saw during a visit to the area in 1905 which included a blacksmith shop, small store, scattered homes and a lush, untapped vista with herds of grazing wild hogs, horses and cattle. Mr. Whitley then purchased 32,000 acres and moved a member of his real estate firm, J. W. Guiberson, to the area to start development.

Mr. Guiberson became one of the many pioneers of the community, building the first home and business structures in the new town of Corcoran. His family also helped establish the first church in the community, an event which helped lead to the town's incorporation on August 14, 1914.

The basis of Corcoran's economy then and now is agriculture. Initially, the most successful crops were grains, alfalfa and sugar beets. Today, cotton and nut-producing trees are the prevalent crops. There are also two state prisons located in Corcoran which adds to the local economy.

Emergency Water Rate Increase

A Special Meeting of the Corcoran City Council was held on January 26, 2016, at 5:00 pm to request an Emergency Water Rate Increase for the city water customers. A Grand Jury member attended the meeting, as did several Corcoran citizens. The citizens were outraged because the agenda packet included City Staff Report 3-A, recommending that the city council raise water rates by 18%.

Citizens also expressed concern that they were not given adequate notification about the special meeting, having learned about the meeting through posts on social media made by citizens and the local news media. City staff informed the Grand Jury that agendas for regular, special and emergency city council meetings are posted in the secured glass-front marquee outside of the City of Corcoran Council Chambers and are also uploaded to the city website at www.cityofcorcoran.com.

The City Council decided to delay the action on the emergency water rate increase until the next meeting, which was the regular meeting on February 1, 2016. The agenda packet for the meeting was examined by the Grand Jury. Items in the agenda packet included:

- Staff Report 3-A
- 2005 Water Rate Study

- NHA Advisors Memorandum

Staff Report 3-A

The Staff Report 3-A recommended the approval of Resolution 2820 (Implementing an Emergency Rate Increase for Water Rates in Order to Meet Debt Service Coverage Requirements). The Staff Report requested an Emergency Water Rate Increase in 2016 stating the increase was authorized by a Water Rate Study and Proposition 218 Public Hearing conducted in 2005 and was approved by the council at that time. The City Attorney had advised that the proposed rate increase did not require a new Proposition 218 process, as it was an implementation of the previously approved rates which had not been put into effect.

2005 Water Rate Study

This study recommended that the City of Corcoran water rates be increased by 24% in 2006, 24% in 2007, 24% in 2008 and 24% in 2009 for a total increase of 96% over four years. The City of Corcoran did increase the water rates by 24% in each of the years of 2006 and 2007. However, in 2008 and 2009, the city council only approved a raise in the water rates by 16% for each of those years. The actual rates imposed was a total increase of 80%, which left 16% of approved water rate increases that were not enacted. There were no other water rate increases imposed by the city council for six years, from 2009 to 2015.

In 2014 and 2015, as the state and the city imposed water conservation requirements, city water customers responded by using less water. Therefore, revenues collected from city water customers decreased. At the same time, expenses increased for operating and maintaining the water, waste water treatment, storm drains, and refuse systems. Also, salaries and benefits for city employees have continued to rise.

NHA Advisors Memorandum

In 2006, the City of Corcoran obtained a bond in order to finance the water treatment plant. The firm of NHA Advisers was contracted to help the city council and staff to navigate through the financial challenges dealing with meeting legal bond agreements, maintaining its credit rating, and meeting its annual budgetary needs. A memorandum dated January 20, 2016, from NHA Advisors titled, "*Drought Impact to Water Systems Revenues, Bond Coverage and Available Strategic Remedies,*" was included in the agenda packet.

In this memorandum, NHA Advisors recommended that:

1. the 16% water rate increases not enacted between 2008 and 2009 now be implemented immediately as an emergency water rate increase
2. water system expenses for the current fiscal year be reduced
3. utilization of the Rate Stabilization Fund and Cash Reserves to boost coverage for the remainder of the fiscal year
4. the city hire a firm to conduct a water rate study.

In consideration of above recommendations, the city council took the following steps:

1. the city council approved Resolution 2820. However, the resolution was amended to only implement an 8% emergency water rate increase for the customers
2. actions are pending to reduce the water system expenses
3. the city council approved using city funds of \$300,000 to maintain the necessary fund balance for the bond credit rating
4. the city council has taken action to conduct a water rate study, with results pending. At the conclusion of the study, the city will conduct a Proposition 218 public hearing.

Special Meetings Regarding Water Issues

In 2016, special meetings were scheduled for the Corcoran City Council to address water rate increases and water issues, as follows:

- Tuesday, January 26, 2016, at 5:00 pm
- Tuesday, March 15, 2016, at 12:45 pm

Water Quality

The City of Corcoran has been experiencing persistent operational challenges with the water treatment system. An issue of arsenic levels in some of the city wells is one such challenge. The necessary steps to test and treat the water to meet all state and federal guidelines add to the expense of operating the system and those costs are charged to the customers.

Corona Environmental Consulting Report

The Corona Environmental Consulting firm of Louisville, Colorado was hired by the City of Corcoran to conduct studies of the water system. Testing took place over the period from February 22 to April 15, 2016.

Grand Jury members attended the Corcoran City Council meeting on June 8, 2016, and received a copy of a report from the consulting firm. The report included recommendations for improvement of the water treatment plant/operations and discussed options for further testing.

FINDINGS AND RECOMMENDATIONS

Finding 1

The Grand Jury finds that notifications of special meetings of the Corcoran City Council meet the requirements of Government Code.

Recommendation 1

The Grand Jury recommends that Corcoran city staff explore additional ways to post notifications of special meetings to ensure the citizens are made aware. An ideal should always be to set meeting times and dates and provide notification to ensure the greatest citizen participation.

Finding 2

The Grand Jury finds that a special meeting of the Corcoran City Council was held to address the agenda item of an emergency water rate increase.

Recommendation 2

The Grand Jury recommends that high priority agenda items such as the water rate increase should be held at a regular meeting of the Corcoran City Council to ensure citizen participation.

Finding 3

The Grand Jury finds that the Corcoran City Council held a special meeting on January 26, 2016, at 5:00 pm and on March 15, 2016, at 12:45 pm to address water rate increases and other water issues.

Recommendation 3

The Grand Jury believes that scheduling special meetings of the Corcoran City Council during early afternoon hours is a time when the citizens are least able to attend. The Grand Jury recommends that the Corcoran City Council take great care in considering meeting times and dates to best accommodate the citizens that they serve.

Finding 4

The Grand Jury finds that the Corcoran City Council took action to implement an emergency water rate increase in February, 2016, based on a water rate study conducted in 2005.

Recommendation 4

The Grand Jury recommends that the Corcoran City Council continue in their efforts to conduct an up-to-date water rate study.

Finding 5

The Grand Jury finds that the Corcoran City Council, on advice of counsel, did not conduct a Public Hearing required by Proposition 218 before implementing the emergency water rate increase.

Recommendation 5

The Grand Jury recommends that the Corcoran City Council conduct a Public Hearing as required by Proposition 218 before implementing any further water rate increases.

COMMENTS

The Kings County Grand Jury thanks all those interviewed during the course of this investigation.

REQUIRED RESPONSES

Pursuant to Penal Code, §933(c) and §933.05, the Grand Jury requests responses from individuals and governing groups as follows:

Corcoran City Council

INVITED RESPONSES

None