

Report on the impacts of Initiative Measure to Reduce Rohnert Park Sewer Service Charges in accordance with California Elections Code Section 9212

Executive Summary

Pursuant to Election Code Section 9212, the City of Rohnert Park has prepared this report analyzing the impact of a voter initiative ("Initiative") that proposes to reduce Rohnert Park's current sewer service charges to the charges in effect on January 1, 2006. The petition for this Initiative received sufficient signatures to qualify for the next general election, scheduled for November 4, 2008. If adopted by the voters, the proposed rate reduction would take effect on December 29, 2008. The reduction would lower Sewer Service Charges for both current residential and commercial users, with certain commercial users benefiting significantly. The rate reduction does not provide Rohnert Park with sufficient revenue to cover the cost of providing sewer service.

The negative fiscal impact of this Initiative on Rohnert Park is significant. In Fiscal Year 2008-09, the sewer enterprise fund would realize a revenue loss of \$1.6 million. In Fiscal Year 2009-10, the revenue loss would grow to \$3.4 million and effectively wipe-out the system's operating reserves. At some point in Fiscal Year 2010-11 or earlier, the system would run out of money and no longer be able to meet its financial obligations. Rohnert Park's ability to operate the sewer system effectively would rapidly decline, making system failures likely. System failures would result in backups that would lead to overflow of raw sewage into the streets.

With the collapse of the sewer enterprise fund, Rohnert Park would incur substantial financial and legal liability. Rohnert Park is one of five agencies that sends sewage to the Santa Rosa Subregional System for treatment. Rohnert Park would default on its contractual obligations to the Subregional System. Like most agencies, Rohnert Park uses debt-financing to pay for capital improvements to its sewer system. Rohnert Park would default on its debt payments. Federal and state laws, as well as legal settlements, have imposed a number of requirements on the operation of Rohnert Park's sewer system. Rohnert Park would no longer be able to comply with these requirements.

In the short-term, the general fund would be used to address these liabilities. Rohnert Park is in the midst of a multi-year plan to correct a structural deficit in its general fund. The general fund does not have sufficient reserves to cover losses from the sewer enterprise fund. For the general fund to assume the sewer system's liabilities, most non-essential services would be eliminated. Rohnert Park would be required to take drastic action, such as ceasing operation of its parks and recreation system, performing arts center, and senior center. Public safety and administrative services would be reduced to the minimum levels allowed by law. While these cuts would temporarily address the sewer system's liabilities, at some point in Fiscal Year 2010-11 or Fiscal Year 2011-12, Rohnert Park would run out of money. Rohnert Park would be required to consider bankruptcy.