INITIATIVE MEASURE TO BE DIRECTLY SUBMITTED TO THE VOTERS

TEXT OF PROPOSED ORDINANCE
ORDINANCE NO. _____

AN ORDINANCE OF THE CITY OF CERRITOS REPEALING CERTAIN WATER AND SEWER RATE INCREASES PURSUANT TO ARTICLE XIII C, SECTION 3 OF THE CALIFORNIA CONSTITUTION

SECTION 1. PURPOSE AND AUTHORITY
This ordinance is adopted pursuant to Article XIII C, section 3 of the California Constitution. Its purpose is to repeal water and sewer rate increases adopted January 26, 2026 while preserving lawful utility operations consistent with Article XIII D. This ordinance is intended to preserve continuity of utility service while ensuring compliance with Article XIII D.

SECTION 2. REPEAL OF RATE INCREASES
The water and sewer rate increases adopted January 26, 2026 are repealed subject to implementation as provided herein. The repealed rates shall not remain effective solely due to failure to adopt replacement rates.

SECTION 3. OPERATIVE DATE
This ordinance becomes operative upon certification of election results approving this measure. For purposes of this ordinance, the operative dates is the date of certification of election results.

SECTION 4. CONTINUITY OF OPERATIONS
Pending adoption of replacement rates under this ordinance, the City shall continue operating the water and sewer systems under existing lawful procedures and authorities.

SECTION 5. NEW PROPOSITION 218 RATE ANALYSIS
Within 180 days after the operative date, the City Council shall prepare or obtain a cost-of-service analysis, or other substantial evidence, sufficient to support lawful water and sewer rates consistent with Article XIII D, section 6 of the California Constitution.

Any such cost-of-service analysis or other substantial evidence shall be sufficient to:

1. Comply with Article XIII D of the California Constitution;
2. Evaluate lawful rates consistent with repeal of the January 26, 2026 increases;
3. Maintain lawful and financially sustainable utility operations; and
4. Be presented at a duly noticed public meeting.

Independent Financial Review and Cost Verification.
The City shall make publicly available all financial data, assumptions, methodologies, and allocations supporting any cost-of-service analysis or other substantial evidence used to establish water or sewer rates. Such information shall be sufficiently detailed to permit public review and independent evaluation of the accuracy, completeness, and reasonableness of the data and assumptions used.

The City may obtain, or rely upon, an independent review or audit of such financial data, including review by a licensed Certified Public Accountant or other qualified professional not involved in preparation of the analysis. Any such independent review shall evaluate the financial inputs used in the analysis, including operation expenses, indirect cost allocations, administrative overhead, reserves, and transfers or changes affecting the water or sewer enterprise funds.

The results of any independent review shall be presented at a duly noticed public meeting and shall be included in the administrative record supporting adopted rates. All financial data materials relied upon by the City shall likewise be included in the administrative record.

Any cost-of-service analysis or other substantial evidence shall be supported by documented financial data demonstrating that revenues derived from water or sewer charges do not exceed the funds required to provide the service, consistent with Article XIII D of the California Constitution.

SECTION 6. ADOPTION OF REPLACEMENT RATES

Within 180 days after the operative date, the City Council shall adopt replacement water and sewer rates supported by the cost-of-service analysis or other substantial evidence and complaint with Article XIII D and applicable law. Replacement rates shall be adopted only after full compliance with the notice, public hearing, and majority protest procedures required by Article XIII D, section 6 of the California Constitution. The City may rely on any cost-of-service analysis, independent review, or other substantial evidence prepared pursuant to Section 5 in adopting replacement rates.

SECTION 7. AUTOMATIC INTERIM BACKSTOP

If replacement rates are not adopted within 180 days:

1. The water and sewer rates in effect immediately prior to February 1, 2026 shall automatically apply on an interim basis; and
2. Interim rates may be modified only to the minimum extent necessary to comply with Article XIII D or other applicable law, as supported by substantial evidence, including any cost-of-service analysis prepared pursuant to Section 5. Any such modification shall comply with the notice, public hearing, and majority protest procedures required by Article XIII D, section 6 of the California Constitution.

Any modification requires:

(a) adoption of a resolution at a duly noticed public meeting;
(b) written findings; and
(c) reliance on substantial evidence, including any cost-of-service analysis prepared pursuant to Section 5.

Any interim increase shall be limited to revenues reasonably necessary to provide utility service and shall not include costs for general governmental purposes or costs not directly attributable to providing such service. Any reserve or contingency amount included in interim rates must be reasonable, directly related to utility operations, specifically quantified, supported by objective evidence of anticipated utility needs, and not based solely on generalized policy or industry benchmarks.

SECTION 8. CONSTITUTIONAL COMPLIANCE

Nothing in this ordinance shall be construed to:

(a) require rates inconsistent with Article XIII D;
(b) impair contractual obligations, bond covenants, or other legally binding financial obligations;
(c) prohibit lawful base charges or fees for services actually used or immediately available; or
(d) prevent minimum adjustments necessary for legal compliance.

SECTION 9. FUTURE RATE AUTHORITY
Nothing in this ordinance limits the City's authority to adopt future water or sewer rates consistent with the California Constitution and applicable law.

SECTION 10. LIBERAL CONSTRUCTION
This ordinance shall be liberally construed to effectuate voter intent and preserve implementation consistent with Article XIII C, section 3 of the California Constitution.

SECTION 11. SEVERABILITY
If any provision or application is held invalid, remaining provisions remain in effect.

SECTION 12. EFFECTIVE DATE
This ordinance takes effect upon voter approval and certification of election results and shall be implemented as provided herein.