A dynamic background image showing water being poured from a glass, creating a splash with many bubbles. The water is clear and bright blue, set against a white background. The splash is captured in mid-air, with water droplets and bubbles visible. The overall composition is clean and modern, with a blue and white color palette.

# City of Benicia

## Rate Study Update: Water & Wastewater Rates

April 5, 2016

*Prepared by:*

**Karin Schnaider, Finance Director, City of Benicia**  
**Greg Clumpner, Director, NBS**  
**Carmen Narayanan, Consultant, NBS**

# Water and Wastewater Rate Study

After more than 18 months of review by independent financial and engineering experts, and after extensive public dialogue, the City of Benicia is recommending water and sewer rate increases to ensure the health and safety of the community and to ensure Benicia's Water and Sewer Utilities remain financially solvent.

# Purpose of the Rate Study

- In August 2015, upon review of the 10-year forecast, the City Council directed staff to conduct a rate study that would address the structural deficit in the Water and Wastewater Utilities.
- The study provides scenarios for Council's consideration, along with associated impacts to proposed water and sewer rates.
- Staff's recommendations are consistent with the Council's goal of achieving a fiscally healthy and sustainable future for the utility funds.

# Recommendation

## **RECOMMENDATION:**

1. Adopt the Resolution of intention to increase water and wastewater rates, setting the public hearing date for May 24, 2016, and directing staff to proceed with mailing notices to all property owners and water and wastewater customers within the City of Benicia; and
2. Approve the Proposition 218 Notice.

# Overview of NBS report

- **Overview of Key Rate Study Tasks**
- **Financial Plan Scenarios based on Ten Year Forecast**
- **Water Rate Study**
  - ✓ Key Findings & Recommendations
  - ✓ Overview of Financial Plan
  - ✓ New Rate Alternatives and Bill Comparisons
- **Wastewater Rate Study**
  - ✓ Key Findings & Recommendations
  - ✓ Financial Plan
  - ✓ New Rate Alternatives and Bill Comparisons

# Overview of Key Rate Study Tasks

## *Key Components in the Rate Study:*

### 1 FINANCIAL PLAN / REVENUE REQUIREMENTS

- Determines total revenue needed from rates.
- Determines annual % adjustments to rates needed.

### 2 COST-OF-SERVICE ANALYSIS

- Allocates revenue requirements to customer classes in a “fair and equitable” manner.
- Complies with Prop 218.

### 3 RATE DESIGN

- Determines the rate structure used to collect revenue from each customer class.
- Reflects City’s Policies & Rate Objectives.

# Financial Plan/Revenue Requirements

- Meeting Net Revenue Requirements
- Building and Maintaining Reserve Funds
- CIP Funding Scenarios

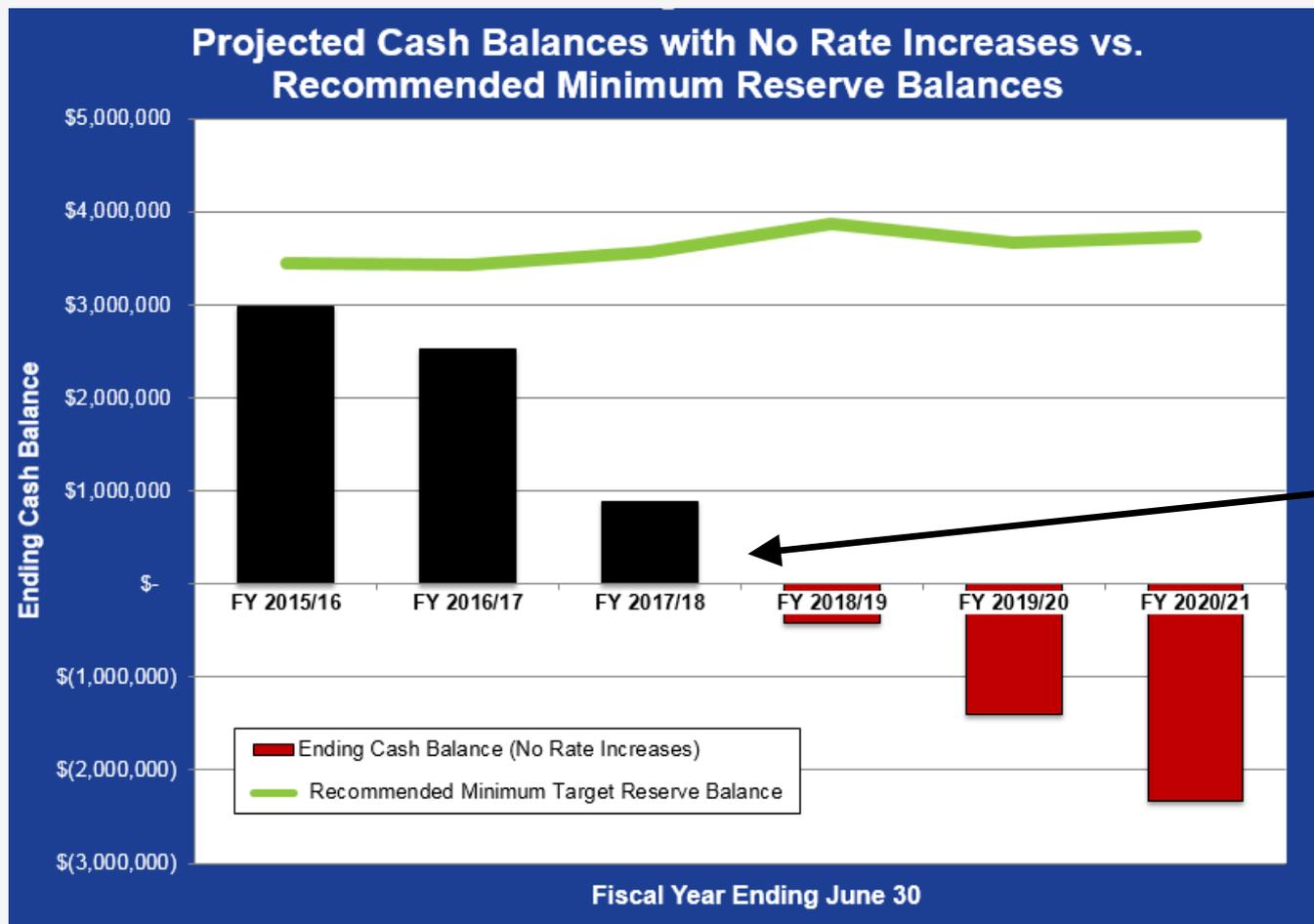
# Water Rate Study

# Water Fund: Financial Plan (Forecast for Optimal Model)

	Proposed	Proposed	Projected
<i>(in thousands)</i>	<u>FY 15-16</u>	<u>FY 16-17</u>	<u>FY 17-18</u>
Original Revenue Projections	8,056	7,448	7,866
Total Expenses	<u>8,525</u>	<u>8,814</u>	<u>9,287</u>
Net Revenues	<b>(469)</b>	<b>(1,366)</b>	<b>(1,421)</b>
Beginning Fund Balance	<u>2,577</u>	<u>2,108</u>	<u>742</u>
Ending Fund Balance	<u>2,108</u>	<u>742</u>	<u><b>(679)</b></u>
<b>% of Fund Balance to Revenue</b>	<b>26.20%</b>	<b>10.00%</b>	<b>-8.60%</b>

# Water Financial Plan: Utility Projected Cash Performance

*Projected Cash Balances, if No Adjustment to Rates is Implemented:*



**Given expected water conservation and planned expenditures, the utility is projected to exhaust cash reserves by the end of 2017/18.**

*\*Target Balance is as calculated in Achievable Funding Scenario.*

# Water Financial Requirements: Funding Scenarios

Rate Increases Resulting from the Three Funding Scenarios:

<b>Effective Dates</b>	<b>7/1/2016</b>	<b>7/1/2017</b>	<b>7/1/2018</b>	<b>7/1/2019</b>	<b>7/1/2020</b>
<b>Optimal Funding Scenario</b>					
<b>Rate Revenue Increases</b>	<b>20.00%</b>	<b>16.00%</b>	<b>10.00%</b>	<b>3.00%</b>	<b>3.00%</b>
<i>Cumulative Rate Increases<sup>^</sup></i>	20.00%	39.20%	53.12%	57.71%	62.45%
<b>Achievable Funding Scenario</b>					
<b>Rate Revenue Increases</b>	<b>20.00%</b>	<b>12.00%</b>	<b>8.00%</b>	<b>4.00%</b>	<b>4.00%</b>
<i>Cumulative Rate Increases<sup>^</sup></i>	20.00%	34.40%	45.15%	50.96%	57.00%
<b>Minimal Funding Scenario</b>					
<b>Rate Revenue Increases</b>	<b>10.00%</b>	<b>10.00%</b>	<b>10.00%</b>	<b>7.00%</b>	<b>7.00%</b>
<i>Cumulative Rate Increases<sup>^</sup></i>	10.00%	21.00%	33.10%	42.42%	52.39%

\*Note that the current rate increase of 4% on July 2016 is replaced by these rate increases.

<sup>^</sup>Note that the cumulative rate increases account for compounding effect of the rates over time.

# Water: Cost of Service and Rate Design

- *Cost of Services*: To allocate revenue requirements to all customer classes in a “fair and equitable” manner that complies with industry standards and legal requirements.
- *Rate Design*: The two primary components of rate design involve:
  - (1) The number of tiers used in collecting volumetric charges.
  - (2) The percentages collected from fixed vs. variable charges.

## Water: Rate Design (continued)

*Volumetric Tiers* – NBS recommends a uniform (single-tier) rate for all customer classes.

# Water Rate Design: Single Family Residents

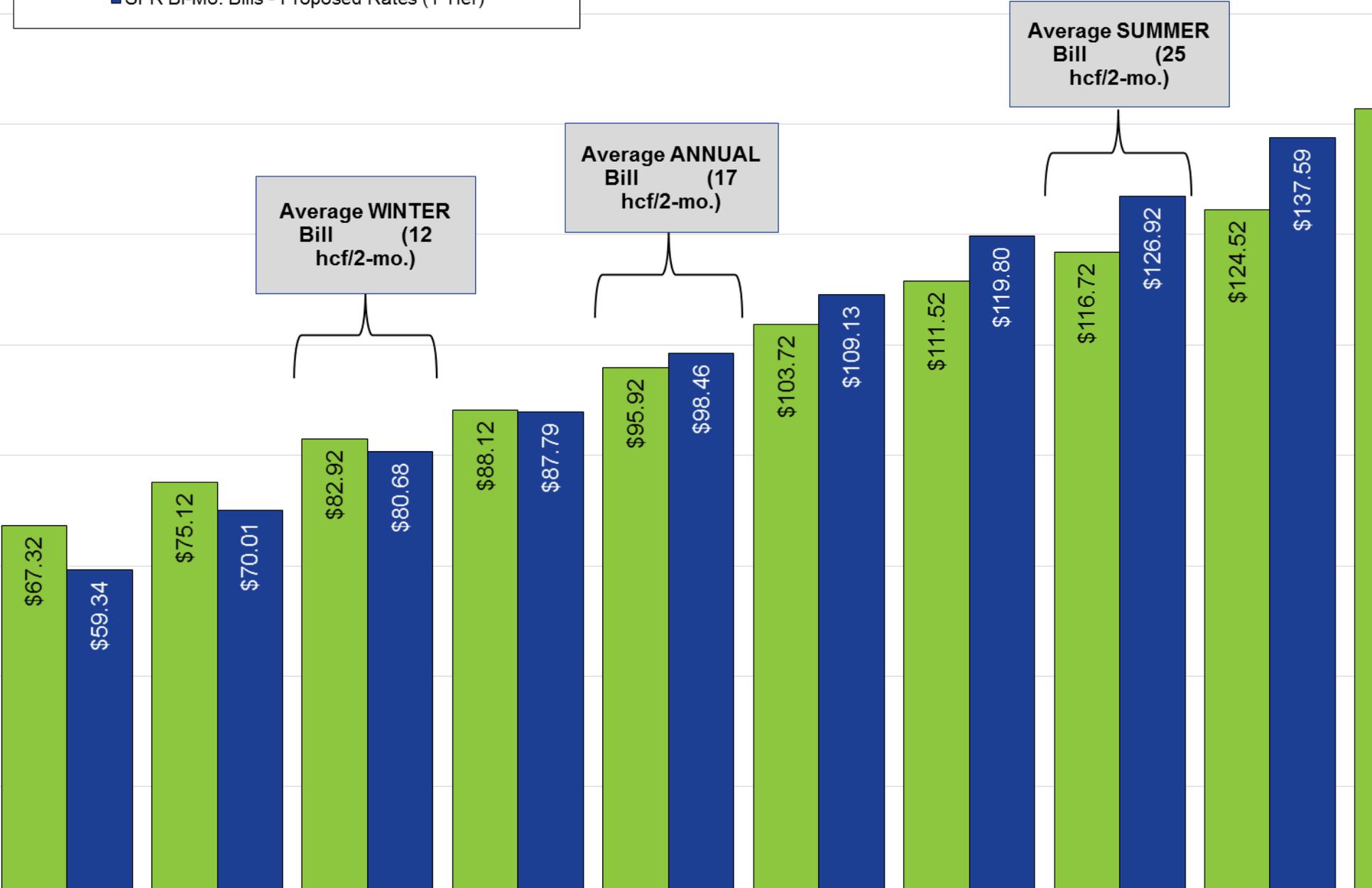
- Single Family Residential and Commercial (3/4” or 5/8” meter size) Average Summer Consumption is 25 hcf.

<i>Fixed:</i>	\$13.01 per month
<i>Volumetric:</i>	\$3.56 per hcf

- The bill increase is approximately a \$10 bi-monthly (\$5 per month)
- SFR customers under 14 hcf will see a reduction in their bi-monthly bill.

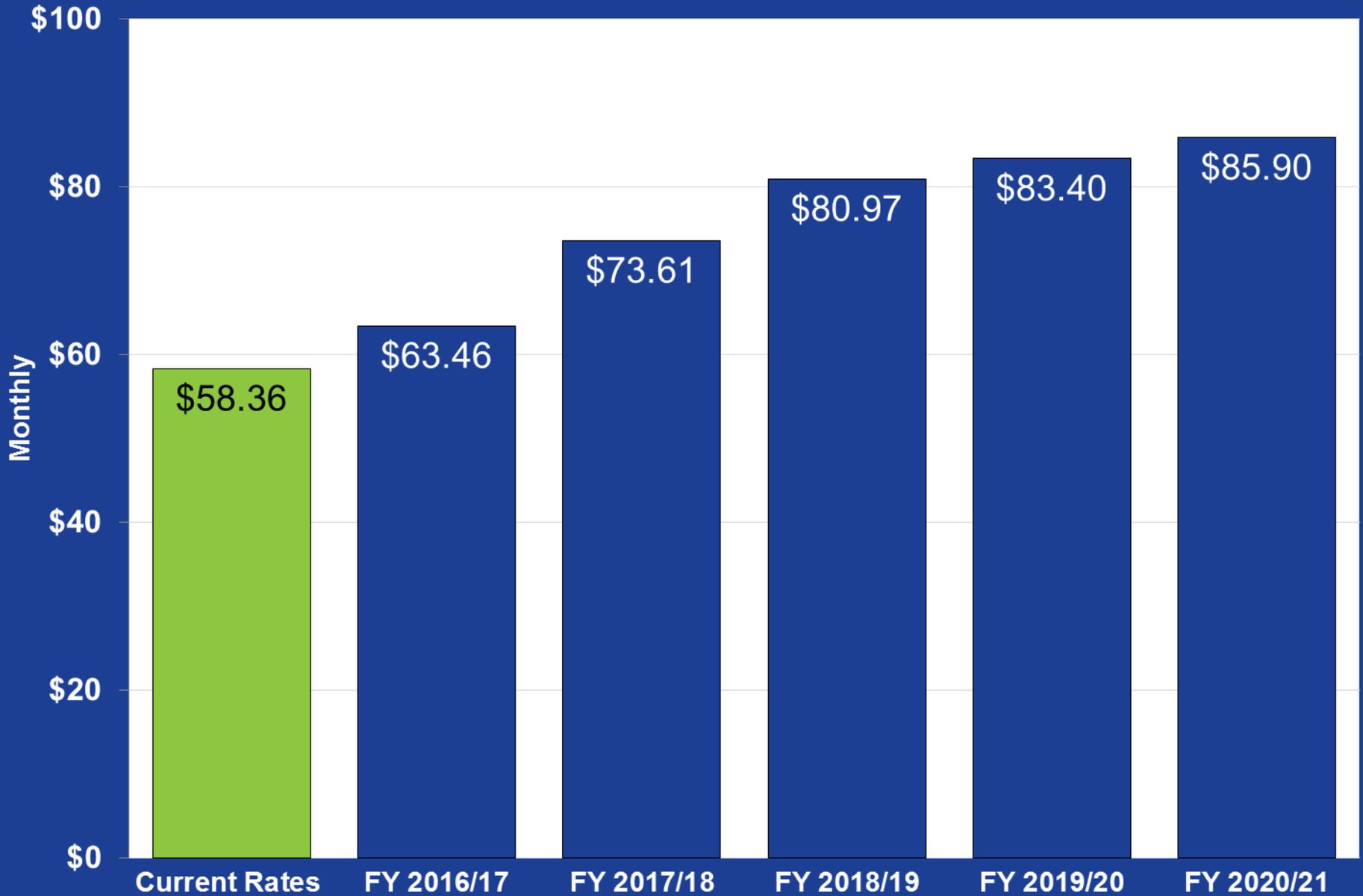
■ SFR Bi-Mo. Bills - Current Rates

■ SFR Bi-Mo. Bills - Proposed Rates (1 Tier)

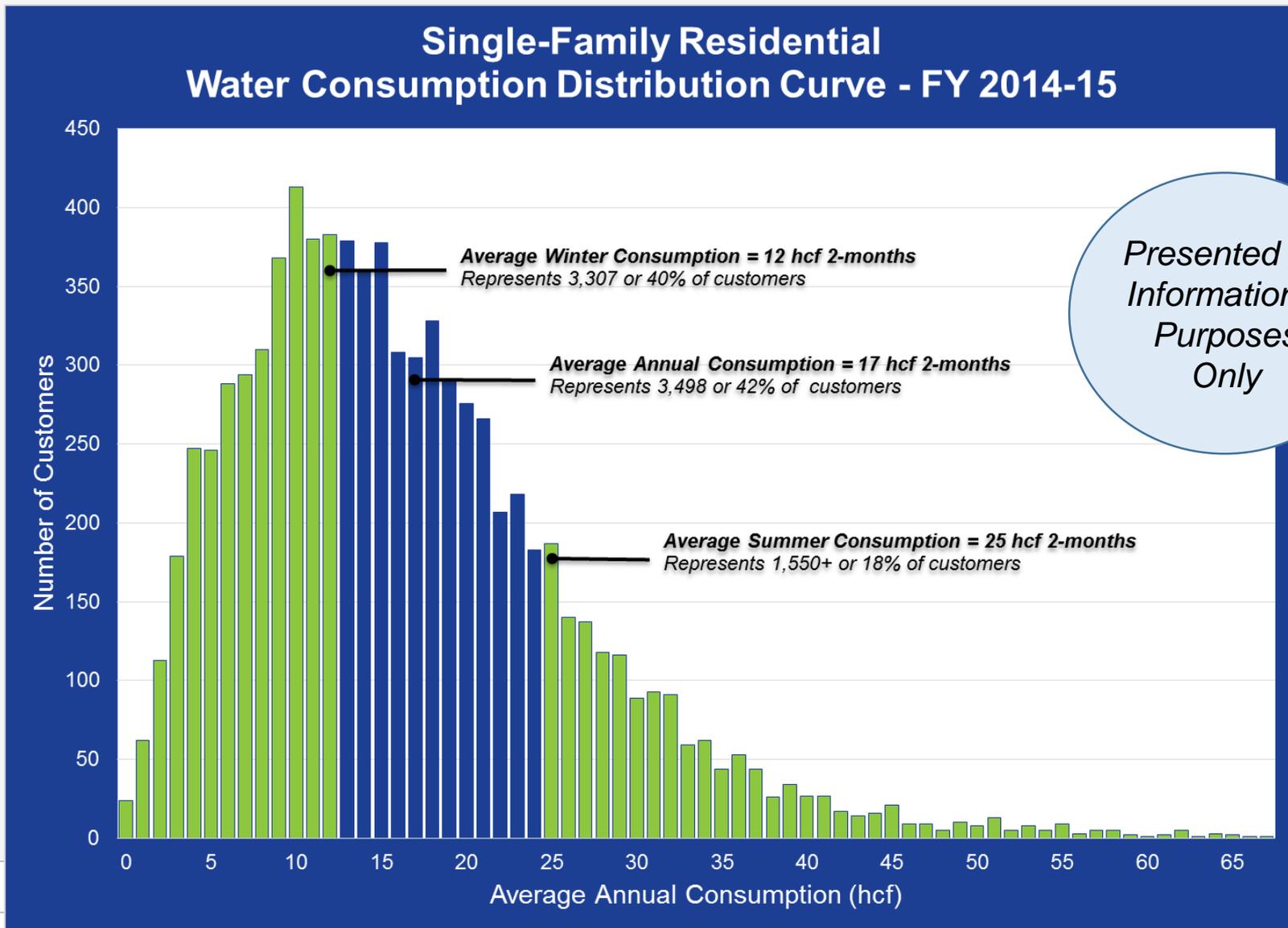


# Single-Family Residential Monthly Bill Comparison

## Current vs. Proposed Rates (3/4" meter)



# SFR Distribution Curve – FY 2014/15 Consumption

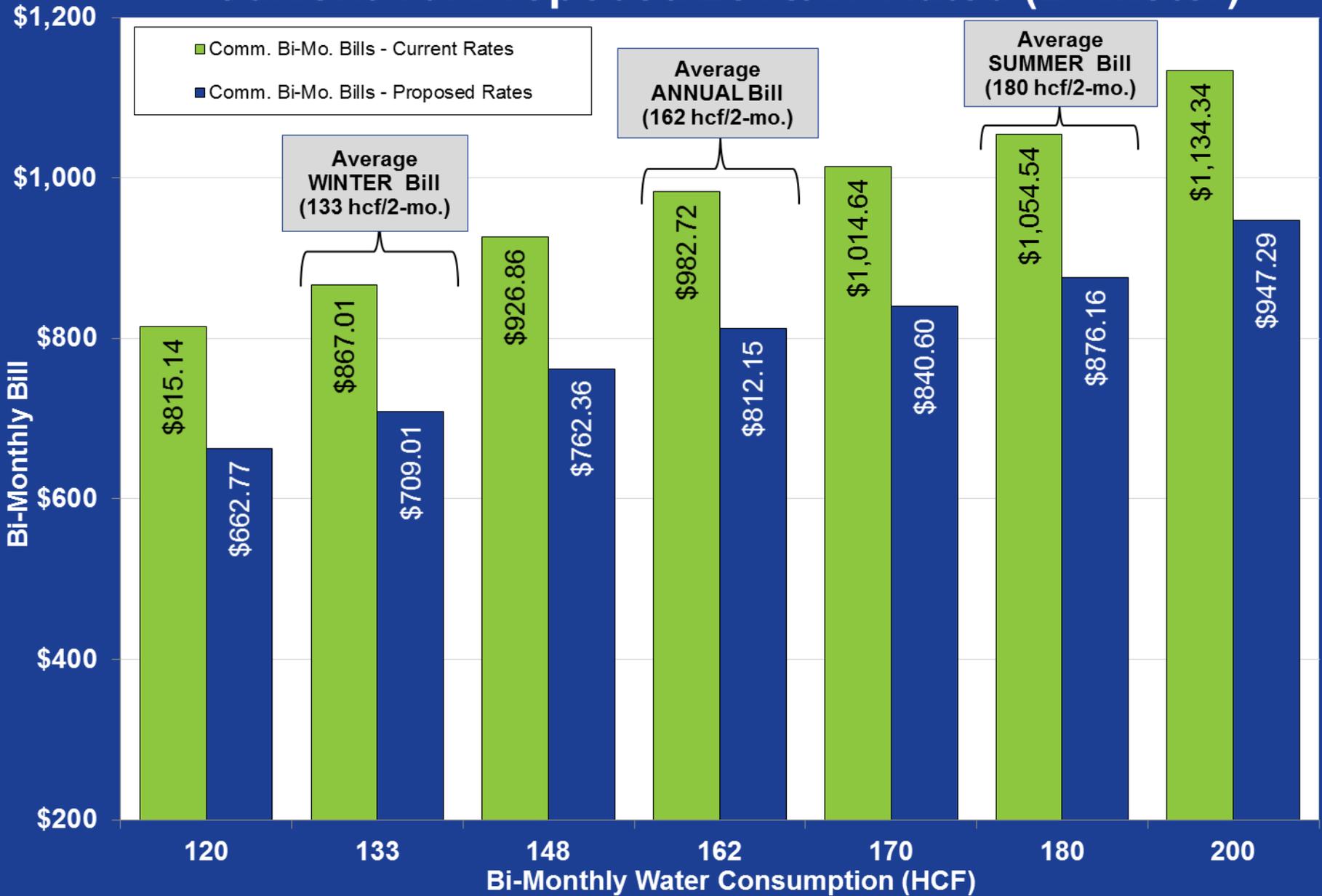


## Water Rate Design: Multi-Family Residents and Commercial

- Multi-Family Residential and Commercial (3/4" or 5/8" meter size) Average Summer Consumption is 25 hcf.

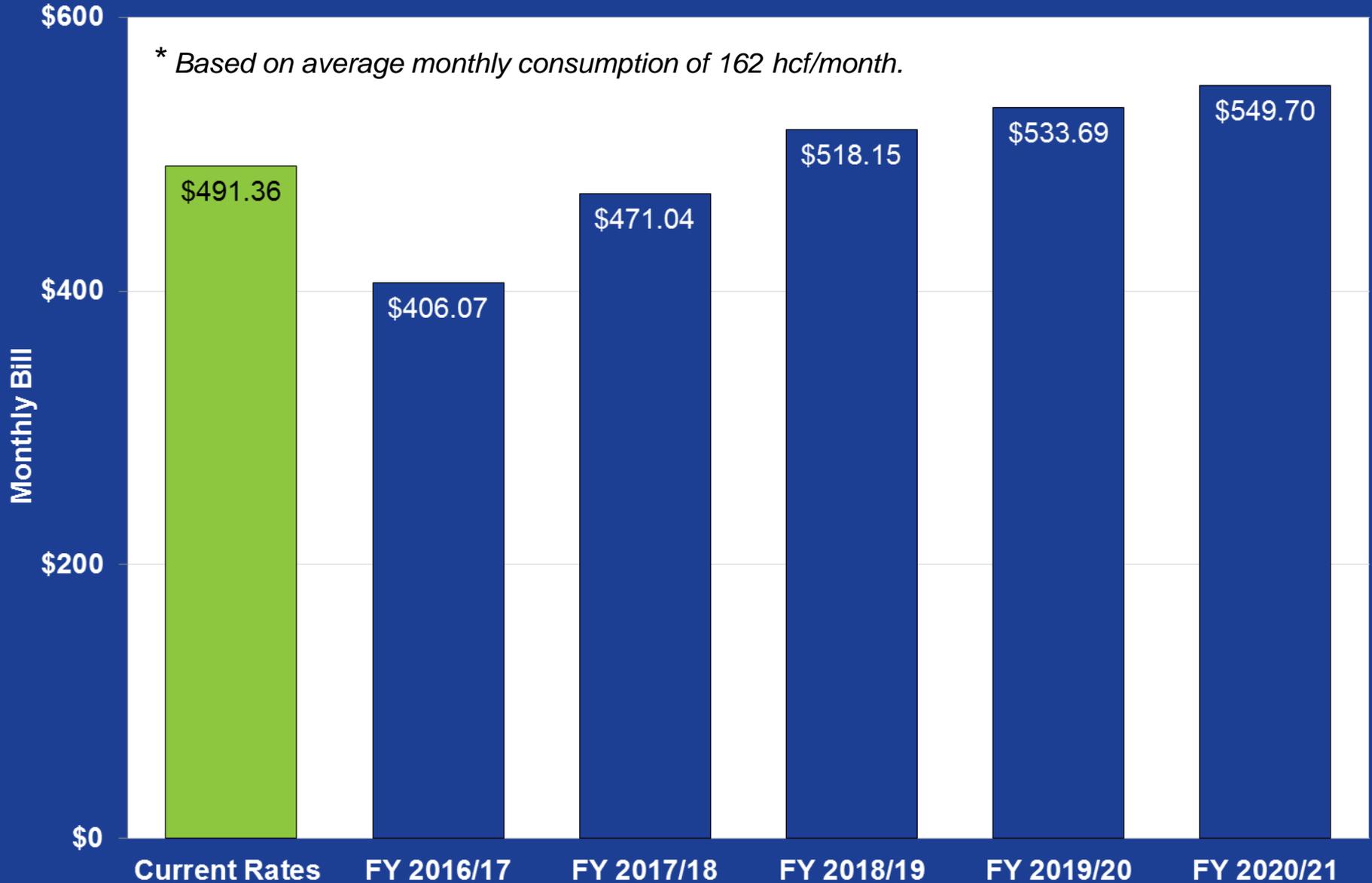
<i>Fixed:</i>	\$14.91-22.71 per month
<i>Volumetric:</i>	\$3.56 per hcf

# Commercial Bi-Monthly Bill Comparison Current vs. Proposed 2016/17 Rates (2" meter)



# Commercial Monthly Bill Comparison Current vs. Proposed Rates (2" meter)

*\* Based on average monthly consumption of 162 hcf/month.*

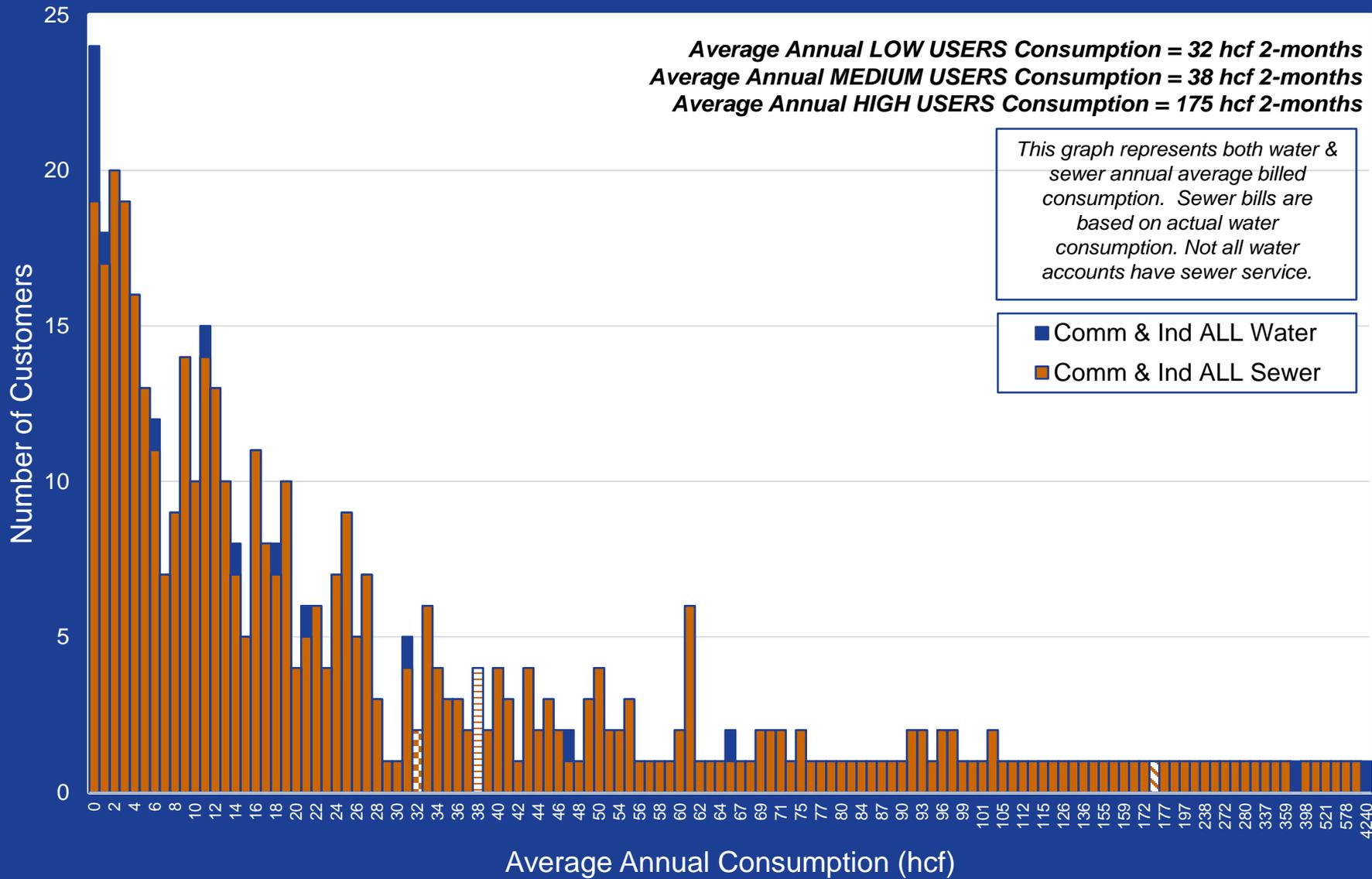


# Commercial - All Users (Low, Medium, High) Sewer & Water Consumption Distribution Curve - FY 2014-15

**Average Annual LOW USERS Consumption = 32 hcf 2-months**  
**Average Annual MEDIUM USERS Consumption = 38 hcf 2-months**  
**Average Annual HIGH USERS Consumption = 175 hcf 2-months**

*This graph represents both water & sewer annual average billed consumption. Sewer bills are based on actual water consumption. Not all water accounts have sewer service.*

- Comm & Ind ALL Water
- Comm & Ind ALL Sewer



# Water Rate Design: Low Income Discount

- The current rates adopted in 2012 introduced a Senior Low Income rate and began to phase out the prior “senior” discount rate.
  - phase out to conclude in June 2016
- The City has been subsidizing the program through a \$300,000 transfer annually from the General Fund.

# Water Rate: Low Income Discount

Customer Class	Number of Customers Bi-Monthly (1)	70% Variable, 30% Fixed				
		Funding From General Fund for Low-Income Discounts				
		FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21
<b>Total Low Income Customers</b>	<b>261</b>					
<i>Low Income Single Family Residential</i>	259					
<i>Low Income Multi Family Residential</i>	2					
<b>Estimated Annual Revenue (2)</b>		<b>\$ 126,619</b>	<b>\$ 146,879</b>	<b>\$ 161,566</b>	<b>\$ 166,413</b>	<b>\$ 171,406</b>
Fixed		\$ 44,226	\$ 51,302	\$ 56,432	\$ 58,125	\$ 59,869
<i>Low Income Single Family Residential</i>	--	\$ 40,409	\$ 46,874	\$ 51,562	\$ 53,109	\$ 54,702
<i>Low Income Multi Family Residential</i>	--	\$ 3,817	\$ 4,428	\$ 4,871	\$ 5,017	\$ 5,167
Variable	<i>Annual Consumption</i>	\$ 82,394	\$ 95,576	\$ 105,134	\$ 108,288	\$ 111,537
<i>Low Income Single Family Residential</i>	20,031	\$ 71,240	\$ 82,639	\$ 90,903	\$ 93,630	\$ 96,439
<i>Low Income Multi Family Residential</i>	3,136	\$ 11,153	\$ 12,938	\$ 14,231	\$ 14,658	\$ 15,098
Discount to Fixed portion of Low Income Customers (3)	<b>50%</b>					
<i>Fixed</i>		<b>\$ 22,113.00</b>	<b>\$ 25,651.08</b>	<b>\$ 28,216.18</b>	<b>\$ 29,062.67</b>	<b>\$ 29,934.55</b>
<i>Variable</i>		\$ 82,394	\$ 95,576	\$ 105,134	\$ 108,288	\$ 111,537
<b>Total Discounted Estimated Revenue</b>		<b>\$ 104,507</b>	<b>\$ 121,228</b>	<b>\$ 133,350</b>	<b>\$ 137,351</b>	<b>\$ 141,471</b>
<b>Discount Per Account, Per Month (3)</b>		<b>\$ 7.10</b>	<b>\$ 8.20</b>	<b>\$ 9.10</b>	<b>\$ 9.30</b>	<b>\$ 9.60</b>

1. Number of Customers based on July 2015 - August 2015 meter count.

2. Estimated Annual Revenue assumes consumption and number of customers will stay flat.

3. Proposed Low Income Discount applies to Fixed Rate only.

# Water Rate Design: Rate Stabilization

- Water revenues can be severely impacted if the drought worsens.
- Rate Stabilization Fund is designed to further promote financial stability when there are fluctuations in rate revenue.

# Water Rate Design: Rate Stabilization

- This rate stabilization fee is tied to the City's drought ordinance.
  - At Stage 4 drought conditions, the volumetric rate per hcf goes up to 10%
  - At Stage 5, the volumetric rate per hcf goes up to 20%.
- This stabilizes rate revenue despite lower consumption so that the utility remains fiscally healthy even during an increase in drought-related conservation.

# Water Results: Summary of Reserve Funds

Beginning Reserve Fund Balances and Recommended Reserve Targets	Budget	Projected				
	FY 2015/16	FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21
<b>Operating Reserve</b>	\$ 1,166,491	\$ 490,420	\$ 455,943	\$ 825,669	\$ 1,745,101	\$ 2,589,667
<i>Recommended Minimum Target</i>	<i>1,420,000</i>	<i>1,409,000</i>	<i>1,515,000</i>	<i>1,719,000</i>	<i>1,585,000</i>	<i>1,621,000</i>
<b>Capital Rehabilitation &amp; Replacement Reserve</b>	\$ 515,763	\$ 515,763	\$ 515,763	\$ 515,763	\$ 688,200	\$ 708,000
<i>Recommended Minimum Target</i>	<i>708,200</i>	<i>700,800</i>	<i>693,900</i>	<i>697,300</i>	<i>688,200</i>	<i>708,000</i>
<b>Rate Stabilization Fund Reserve</b>	\$ -	\$ -	\$ -	\$ -	\$ 643,000	\$ 657,000
<i>Recommended Minimum Target</i>	<i>576,000</i>	<i>571,000</i>	<i>614,000</i>	<i>697,000</i>	<i>643,000</i>	<i>657,000</i>
<b>Debt Reserve</b>	\$ 749,001	\$ 749,001	\$ 749,001	\$ 749,001	\$ 749,001	\$ 749,001
<i>Recommended Minimum Target</i>	<i>749,001</i>	<i>749,001</i>	<i>749,001</i>	<i>749,001</i>	<i>749,001</i>	<i>749,001</i>
<b>Total Ending Balance</b>	<b>\$ 2,431,255</b>	<b>\$ 1,755,184</b>	<b>\$ 1,720,707</b>	<b>\$ 2,090,433</b>	<b>\$ 3,825,302</b>	<b>\$ 4,703,668</b>
<b>Total Recommended Minimum Target</b>	<b>\$ 3,453,201</b>	<b>\$ 3,429,801</b>	<b>\$ 3,571,901</b>	<b>\$ 3,862,301</b>	<b>\$ 3,665,201</b>	<b>\$ 3,735,001</b>

# Water Reserves: End of Drought Surcharge

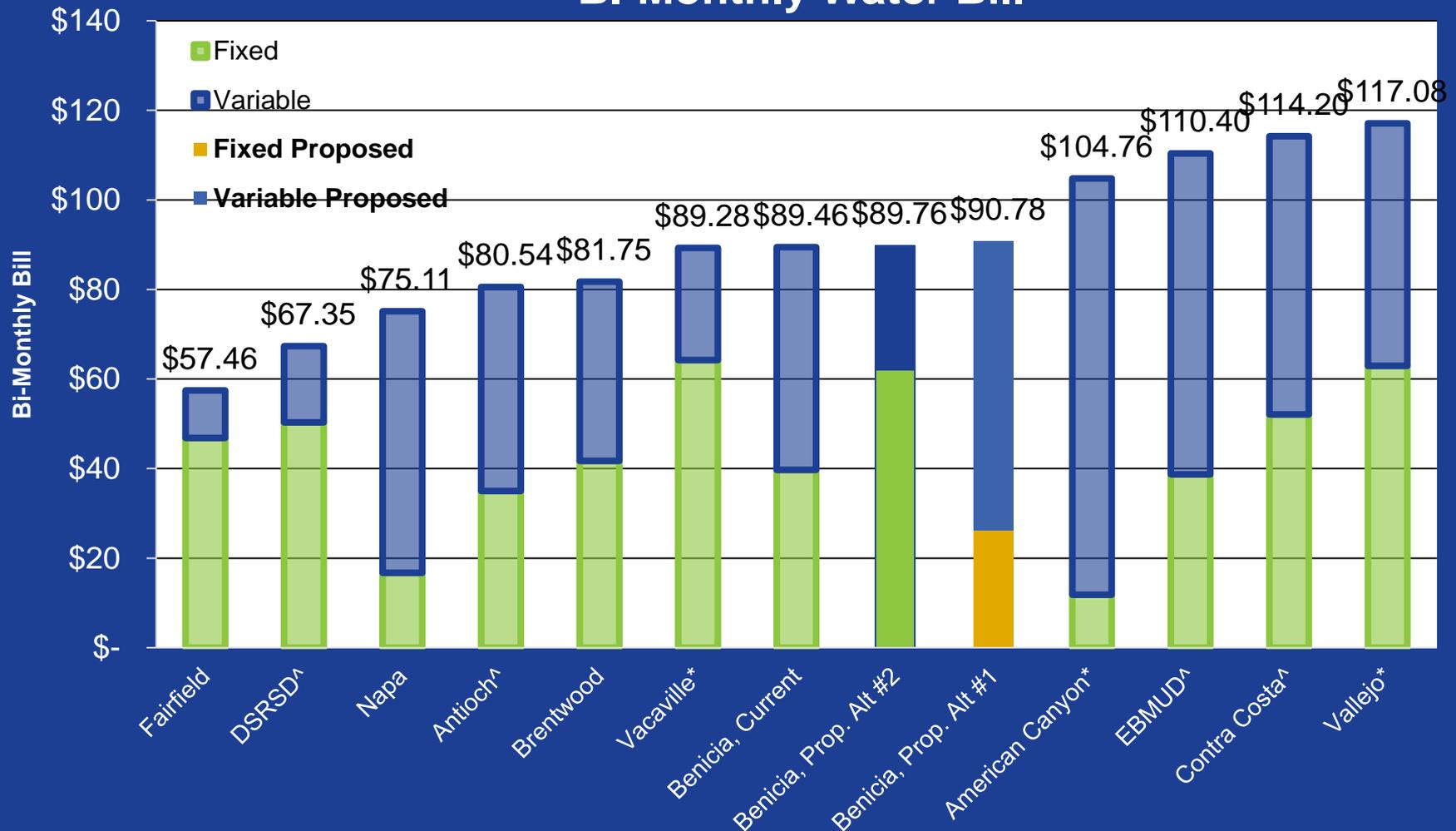
- It is recommended that the drought surcharge stop upon the adoption of the proposed water rates and be replaced with the rates stabilization rates proposed.
- The financial impacts of the Citywide conservation, as well as, the expected Water Fund FY2016 ending balances were considered in the development of the proposed rates.
- The Water fund will reach target reserve levels based on these *assumptions*.

## Water Bill Comparisons to Outside Agencies

- The City's proposed water rates are in the mean of other agencies.
- The range is \$57.46 to \$117.08 and the City (30% fixed and 70% variable) is \$90.78.
  - Next page assumed consumption is 18 hcf per bi-monthly bill to show how the proposed rates compare to other agencies in the region.

# Water Bill Comparisons to Outside Agencies, continued

## City of Benicia- Regional Comparisons Bi-Monthly Water Bill



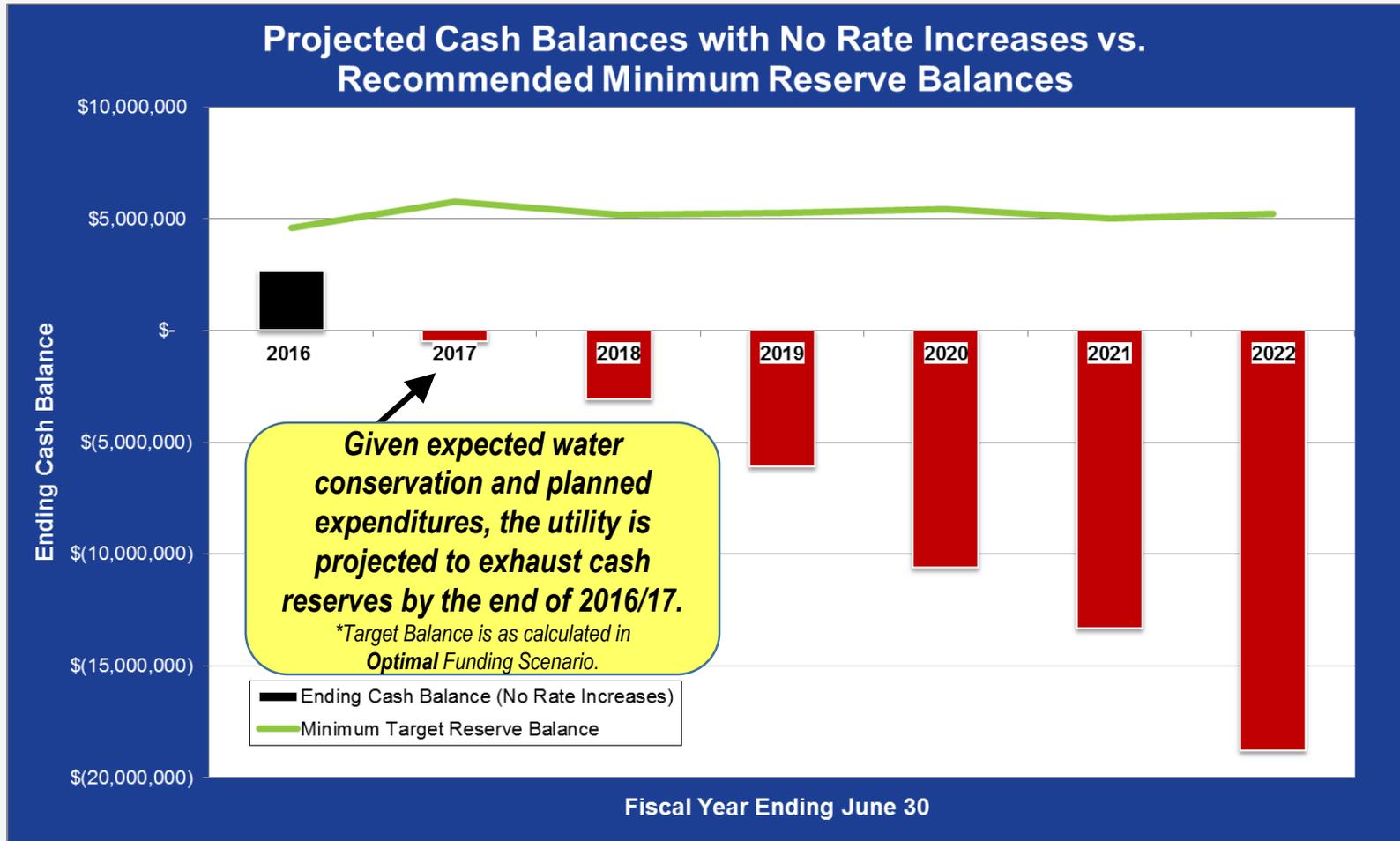
# Wastewater Rate Study

# Wastewater Fund: Financial Plan

<i>(in thousands)</i>	Proposed <u>FY 15-16</u>	Proposed <u>FY 16-17</u>	Projected <u>FY 17-18</u>
Original Revenue Projections	8,728	8,904	8,905
Total Expenses	<u>8,451</u>	<u>11,892</u>	<u>11,219</u>
Net Revenues	277	(2,988)	(2,314)
Beginning Fund Balance	<u>2,616</u>	<u>2,893</u>	<u>(95)</u>
Ending Fund Balance	<u>2,893</u>	<u>(95)</u>	<u>(2,409)</u>
<b>% of Fund Balance to Revenue</b>	<b>33.10%</b>	<b>-1.10%</b>	<b>-27.10%</b>

# Wastewater Financial Plan: Utility Projected Cash Performance

Projected Cash Balances, if No Adjustment to Rates is Implemented:



# Wastewater Financial Requirements: Funding Scenarios

Increases Resulting from the Three Funding Scenarios evaluated:

Effective Dates	FY 2015/16	FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20
<b>Optimal Funding Scenario</b>					
<i>Proposed Increases in Rate Revenue</i>	16.00%	12.00%	9.00%	7.00%	5.00%
<i>Cumulative Increase from Annual Revenue Increases</i>	16.00%	29.92%	41.61%	51.53%	59.10%
<b>Achievable Funding Scenario</b>					
<i>Proposed Increases in Rate Revenue</i>	8.00%	6.00%	6.00%	3.00%	2.00%
<i>Cumulative Increase from Annual Revenue Increases</i>	8.00%	14.48%	21.35%	24.99%	27.49%
<b>Minimal Funding Scenario</b>					
<i>Proposed Increases in Rate Revenue</i>	4.00%	3.00%	3.00%	3.00%	3.00%
<i>Cumulative Increase from Annual Revenue Increases</i>	4.00%	7.12%	10.33%	13.64%	17.05%

\*Note that the current rate increase of 2% on July 2016 is replaced by these rate increases.

^Note that the cumulative rate increases account for compounding effect of the rates over time.

## Wastewater Rate Design:

### **Maintains Fixed Charge per Meter and *add* Volumetric Charges (*better ties to system loads*):**

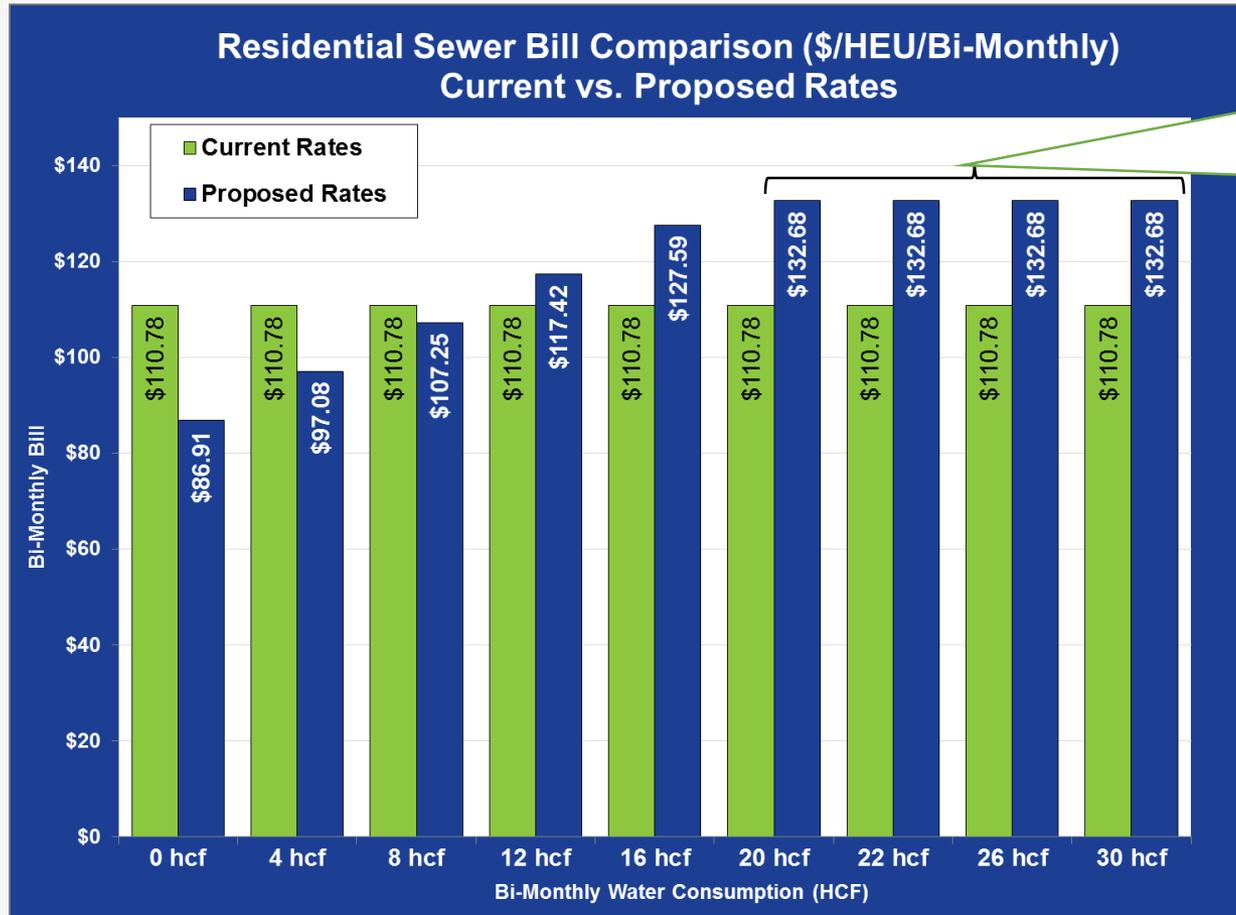
- *Residential Customers:*
  - Based on capped monthly water use of 9 hcf (18 hcf per bi-monthly bill)
  
- *Multi-Residential Customers:*
  - Based on capped monthly water use of 9 hcf (18 hcf per bi-monthly bill- per *EDU: each dwelling unit*)

# Wastewater: Results of Rate Study

- Wastewater: approximately a \$22 bi-monthly (\$11 per month) bill increase based on funding the Optimal preventative maintenance and capital for 18 (or more) hcf.
  - Single Family Residential customers under 8 hcf will see a reduction in their bi-monthly bill.

# Wastewater Rate Design: Residential

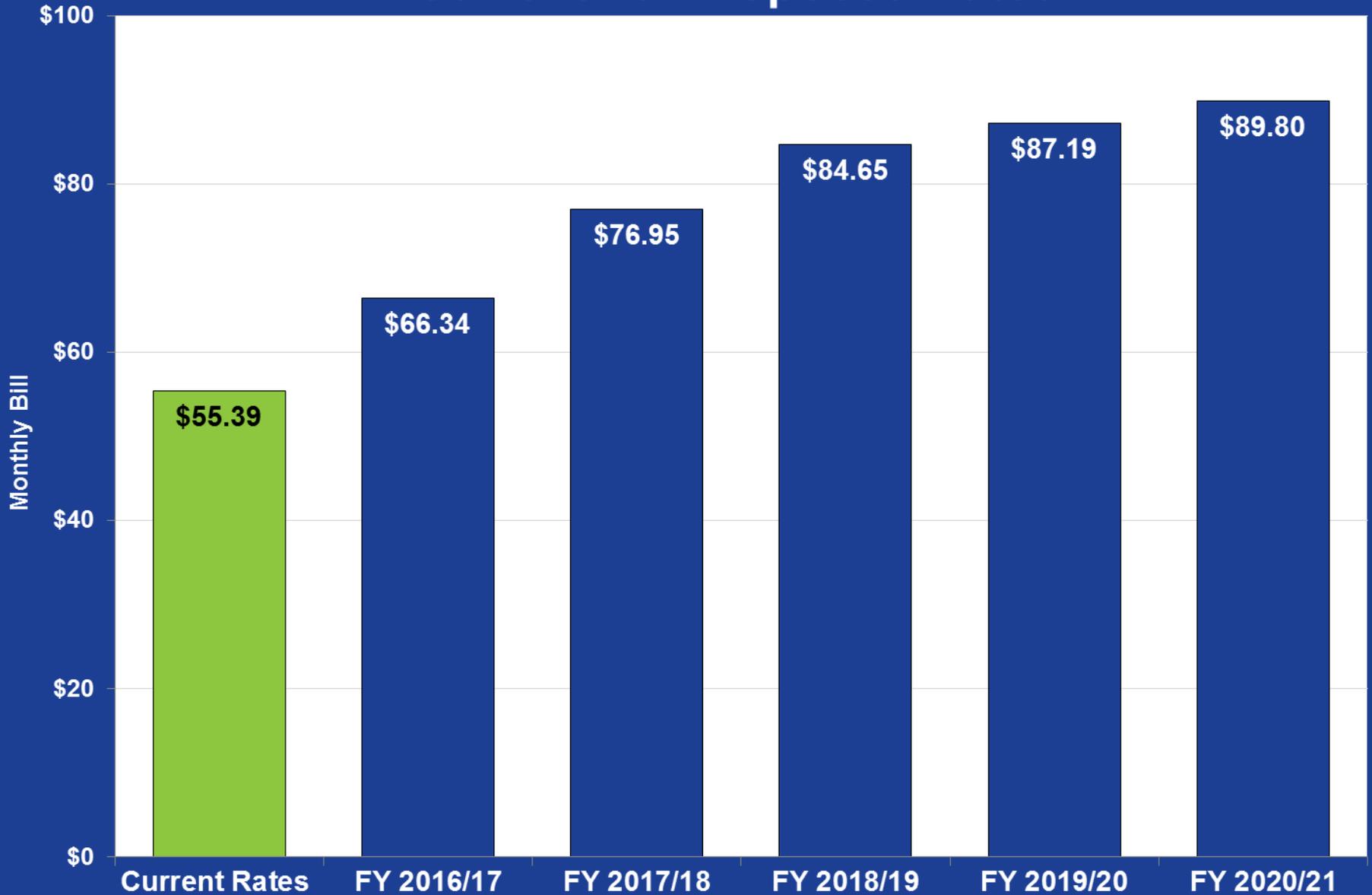
## Residential Bills Under New Wastewater Rate Structure\*:



*Residential Consumption is Capped at 9 hcf/month*

\* This rate alternative is based on the "Optimal Funding Scenario"

# Residential Sewer Bill Comparison (Monthly) Current vs. Proposed Rates



# Wastewater Rate Design: Commercial and Industrial

## **Use Volumetric Charges** (*better ties to system loads*):

- Based on monthly water use vs. current billing system of EDU (each dwelling unit) Factors & Reduction Ratios.

## **Reclassify Commercial & Industrial Customers** –

Use low-, medium-, high-strength categories to:

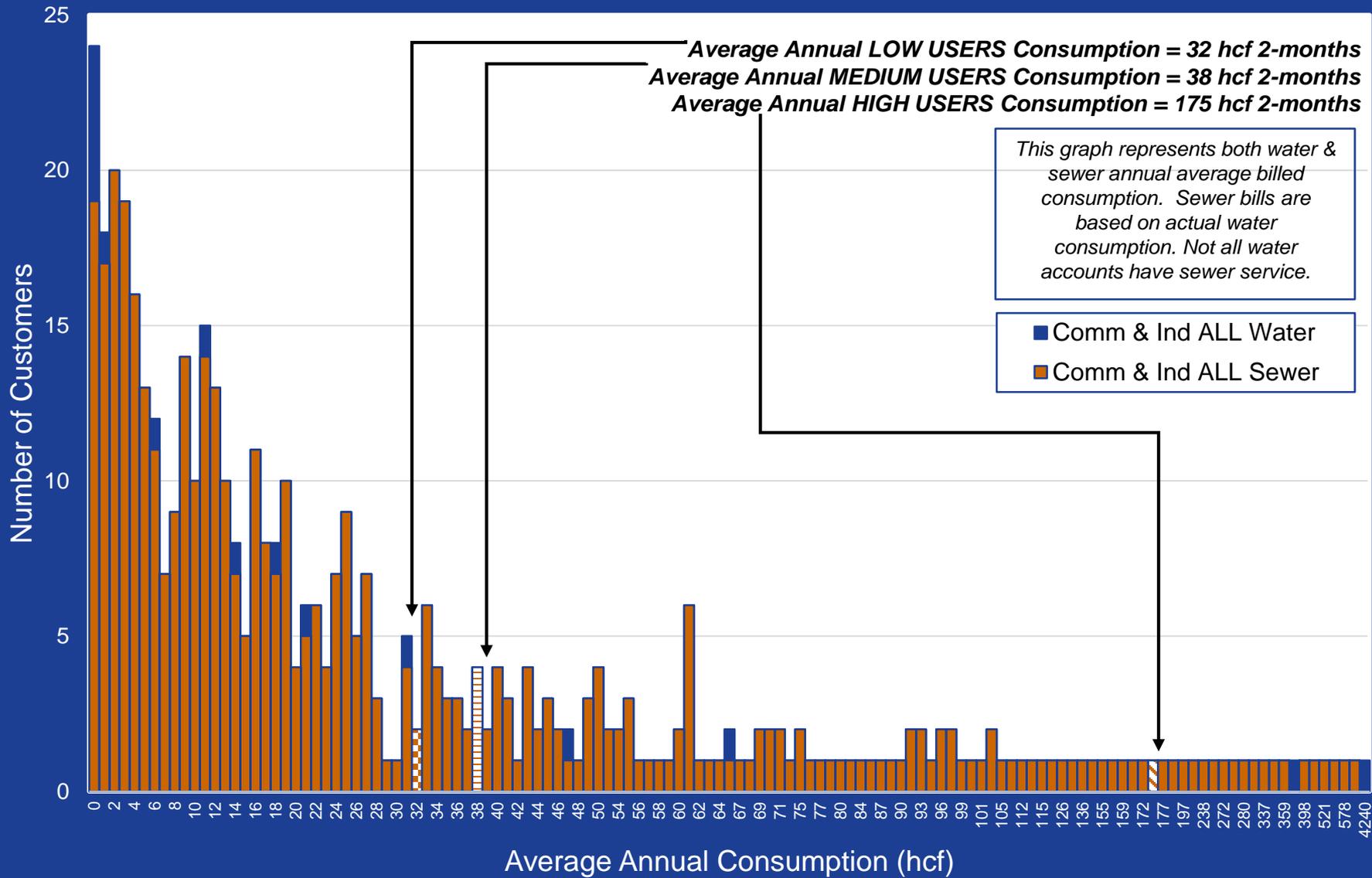
- Tie bills more closely to cost-of-service/system loads.
- Use flow & strength vs. meter sizes.

Customer Class	BOD	TSS
	Average Strength Factor (mg/l) <sup>1</sup>	Average Strength Factor (mg/l) <sup>1</sup>
Commercial & Industrial - Low User	75	100
Commercial & Industrial - Medium User <sup>2</sup>	150	175
Commercial & Industrial - High User	375	400

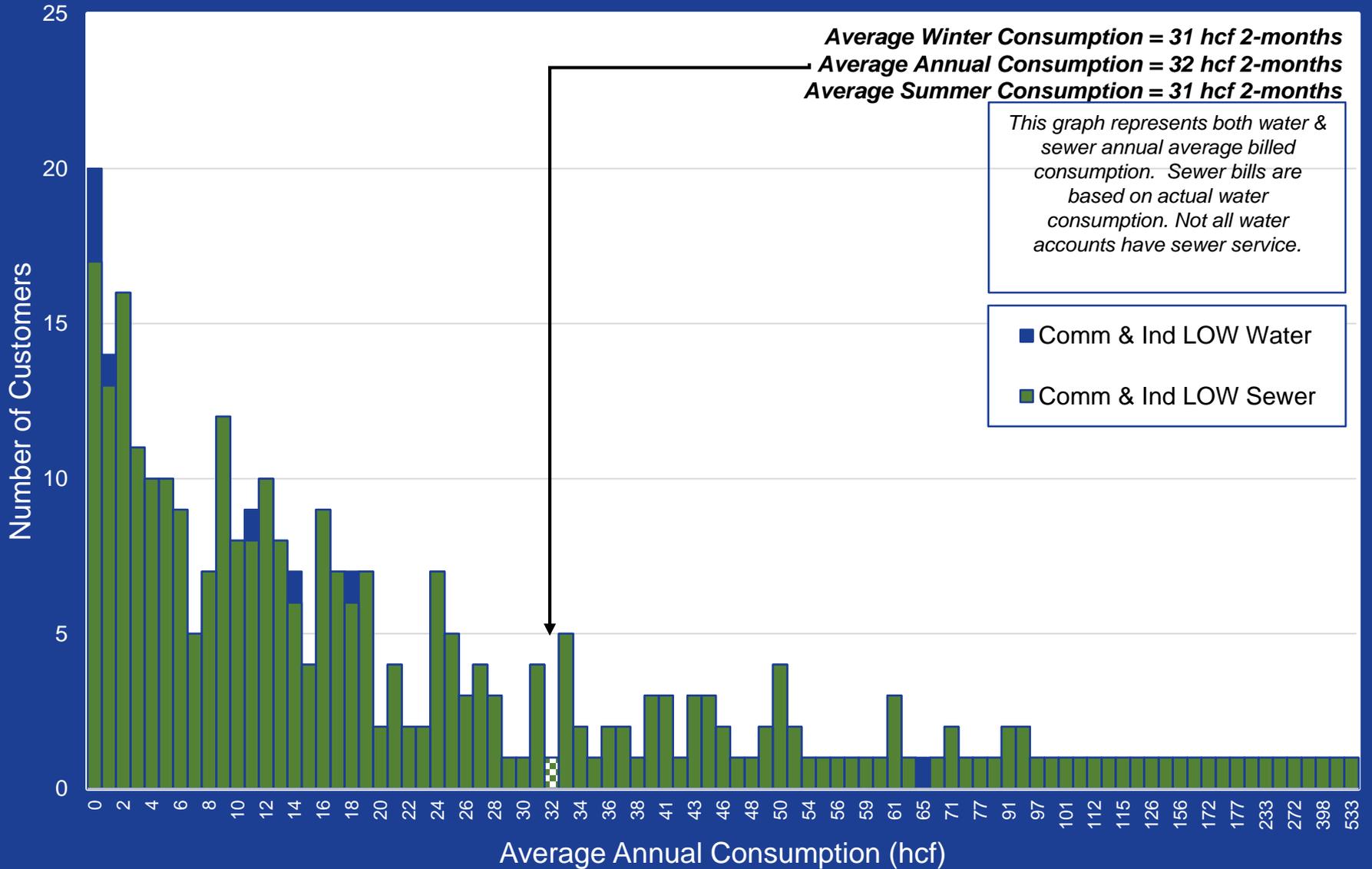
(1) Average strength factors for BOD and TSS are derived from the State Water Resources Control Board Revenue Program Guidelines, Appendix G.

(2) NBS assumed the 30 Commercial customers that were not categorized as low, medium or high users could conservatively be included in the Commercial - Medium User category. 38

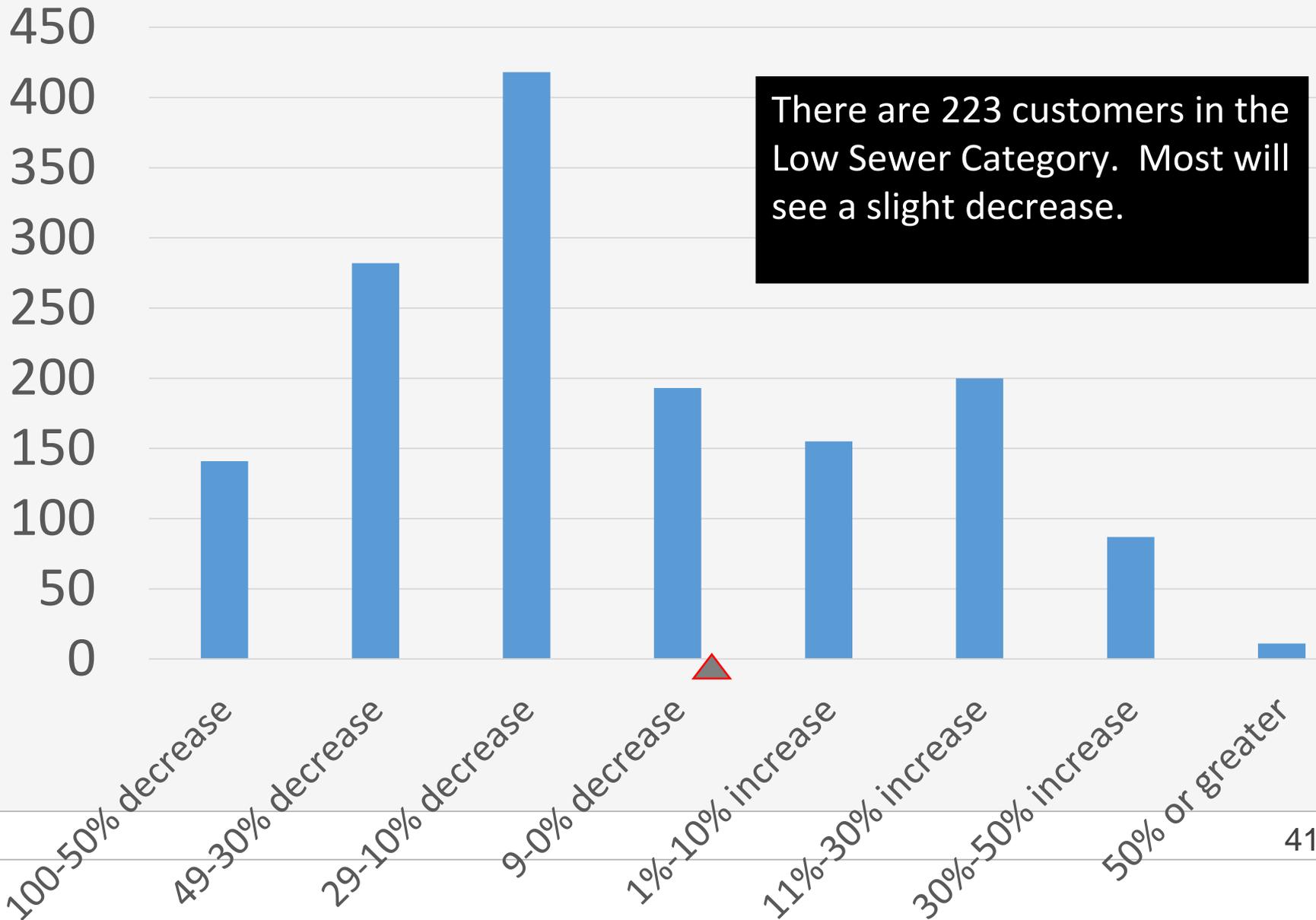
# Commercial - All Users (Low, Medium, High) Sewer & Water Consumption Distribution Curve - FY 2014-15



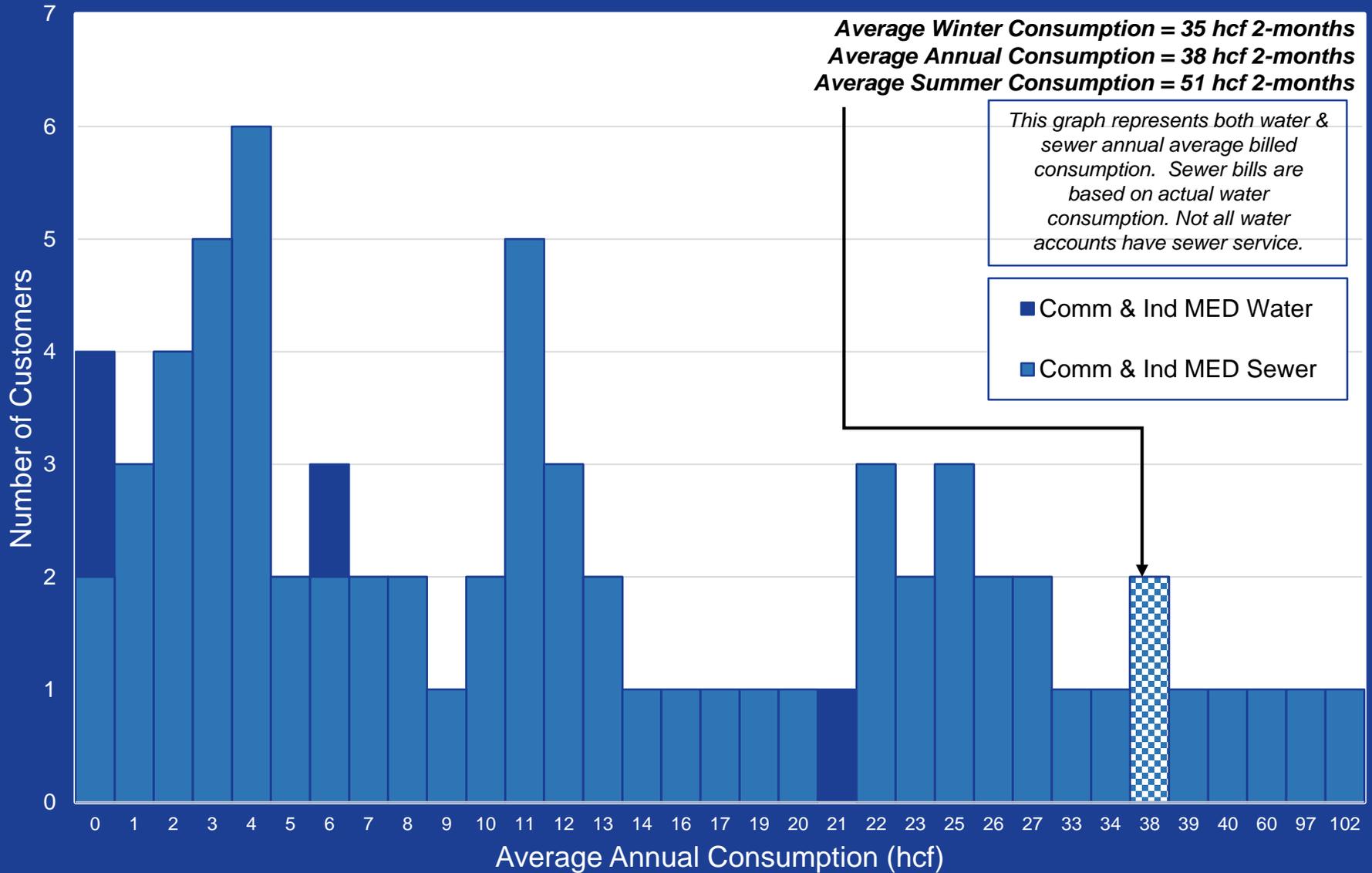
# Commercial - Low Users Sewer & Water Consumption Distribution Curve - FY 2014-15



## Number of Bills in Low Sewer Class

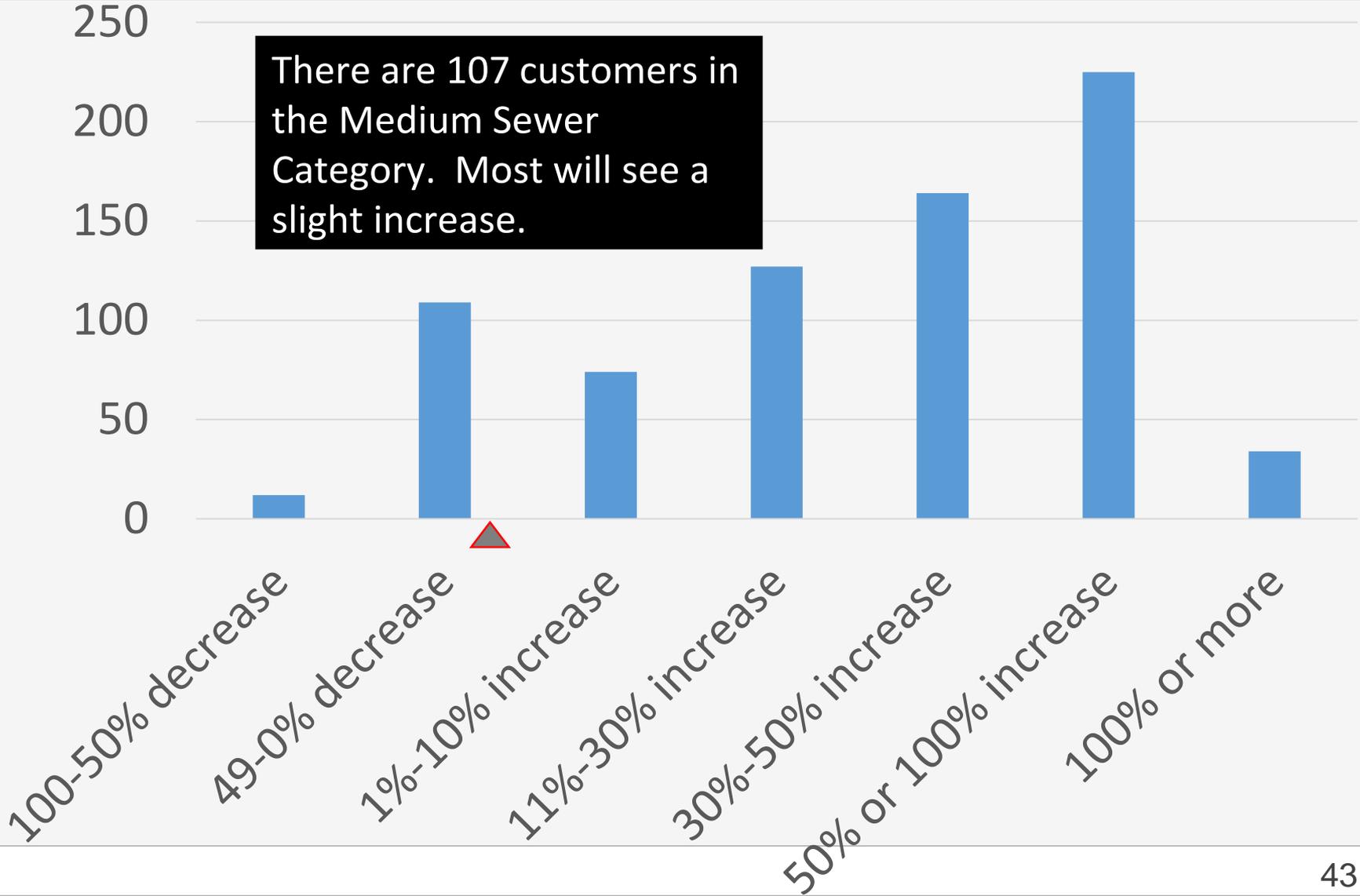


# Commercial - Medium Users Sewer & Water Consumption Distribution Curve - FY 2014-15



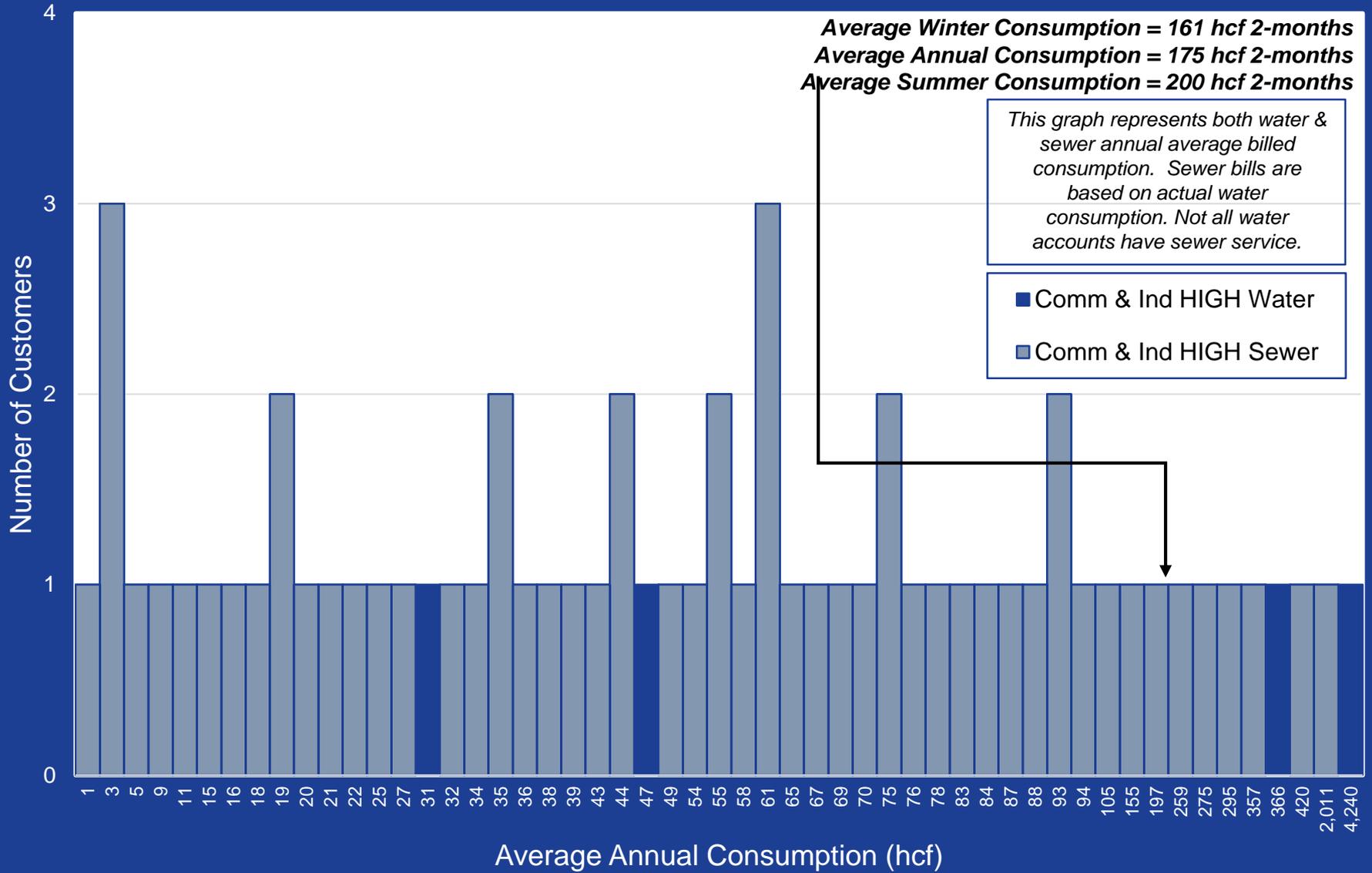
# Number of Bills in Medium Sewer Class

There are 107 customers in the Medium Sewer Category. Most will see a slight increase.

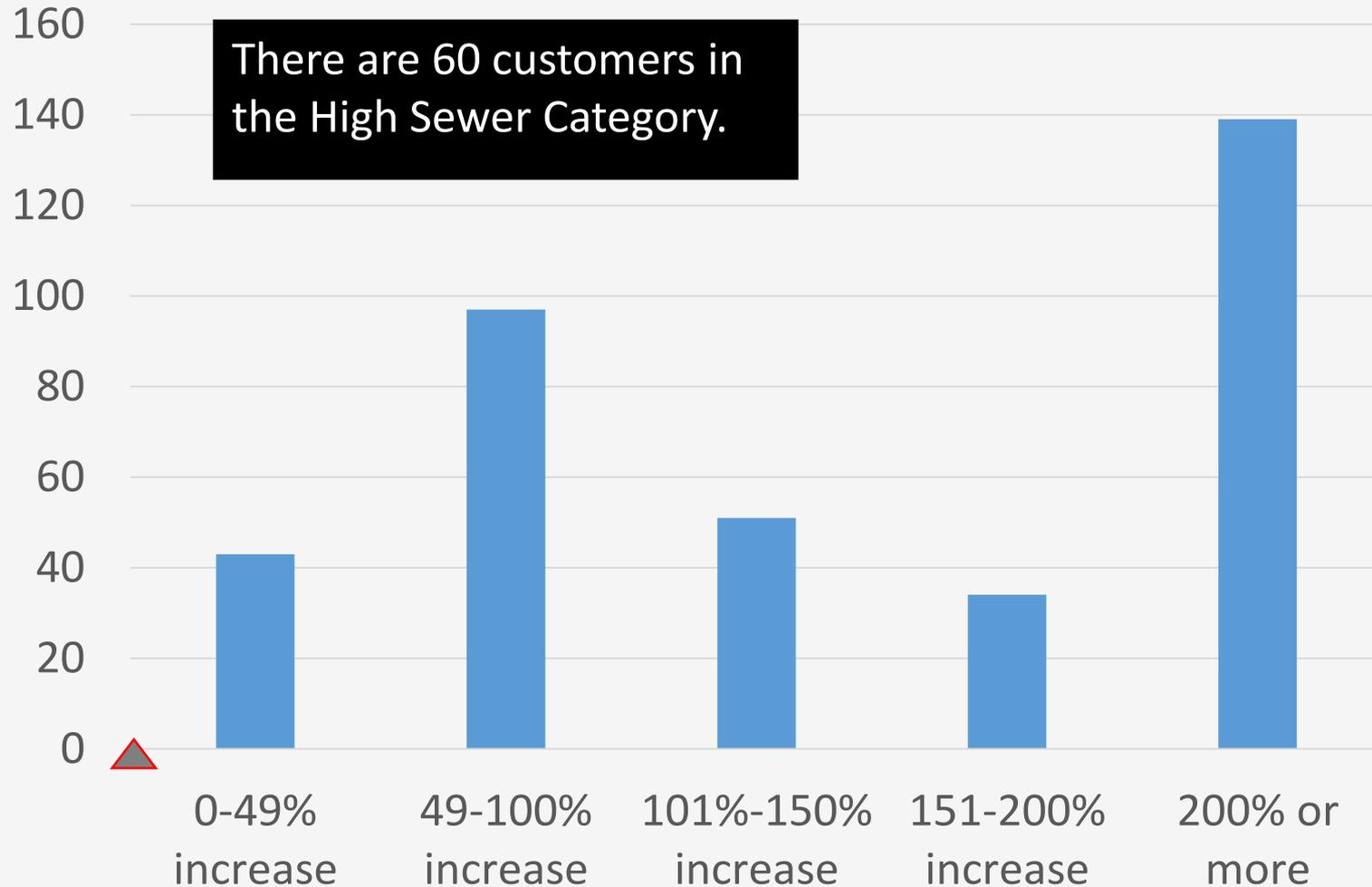


# Commercial - High Users

## Sewer & Water Consumption Distribution Curve - FY 2014-15



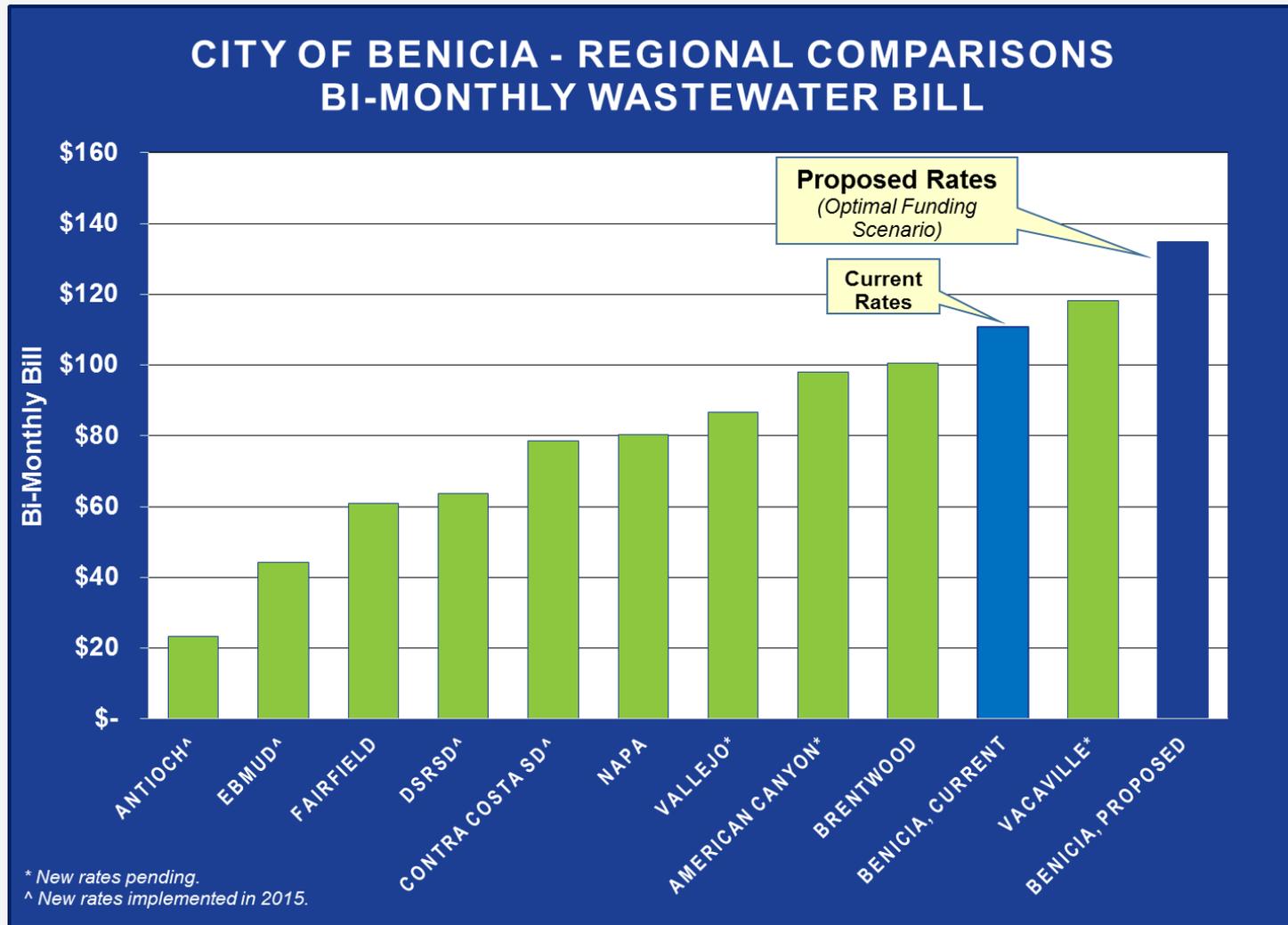
## Number of Bills in High Sewer Class



## Wastewater Bill Comparisons to Outside Agencies

- The City's proposed wastewater rates are at the high end of the regional comparison.
- The range is \$23.20 to \$134.66.
  - Some agencies with the lower fees are charging for only conveyance and do not have treatment included in the costs of services.
  - Some agencies such as EBMUD and DSRD collect portion of their costs through a property tax assessment.
- Next page assumed consumption is 18 hcf per bi-monthly bill to show how the proposed rates compare to other agencies in the region.

# Wastewater Bill Comparisons to Outside Agencies



# Wastewater Rate Design: Rate Stabilization

- Wastewater revenues can be impacted if the drought worsens.
- Rate Stabilization Fund is designed to further promote financial stability when there are fluctuations in rate revenue.

# Wastewater Rate Design: Rate Stabilization

- This rate stabilization fee is tied to the City's drought ordinance.
  - At Stage 4 drought conditions, the volumetric rate per hcf goes up to 8%
  - At Stage 5, the volumetric rate per hcf goes up to 16%.
- This stabilizes rate revenue despite lower consumption so that the utility remains fiscally healthy even during an increase in drought-related conservation.

# Wastewater Results: Summary of Reserve Funds

Beginning Reserve Fund Balances and Recommended Reserve Targets	Budget	Budget	Projected				
	FY 2014/15	FY 2015/16	FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21
<b>Operating Reserve</b>							
Ending Balance	\$ 1,436,797	\$ 1,556,572	\$ (403,998)	\$ (583,344)	\$ (110,075)	\$ (298,294)	\$ 1,981,296
<i>Recommended Minimum Target</i>	<i>1,566,000</i>	<i>1,569,000</i>	<i>2,310,000</i>	<i>1,958,000</i>	<i>2,024,000</i>	<i>2,098,000</i>	<i>2,104,000</i>
<b>Capital Rehabilitation &amp; Replacement Reserve</b>							
Ending Balance	\$ 1,133,808	\$ 1,133,808	\$ 1,133,808	\$ 1,133,808	\$ 1,133,808	\$ 1,133,808	\$ 1,133,808
<i>Recommended Minimum Target</i>	<i>1,618,800</i>	<i>1,570,200</i>	<i>1,534,500</i>	<i>1,526,800</i>	<i>1,502,400</i>	<i>1,533,900</i>	<i>1,522,600</i>
<b>Rate Stabilization Fund Reserve</b>							
Ending Balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<i>Recommended Minimum Target</i>	<i>522,000</i>	<i>523,000</i>	<i>770,000</i>	<i>653,000</i>	<i>675,000</i>	<i>699,000</i>	<i>701,000</i>
<b>Total Ending Balance</b>	<b>\$ 2,570,605</b>	<b>\$ 2,690,380</b>	<b>\$ 729,810</b>	<b>\$ 550,464</b>	<b>\$ 1,023,733</b>	<b>\$ 835,514</b>	<b>\$ 3,115,104</b>
<b>Total Recommended Minimum Target</b>	<b>\$ 3,706,800</b>	<b>\$ 3,662,200</b>	<b>\$ 4,614,500</b>	<b>\$ 4,137,800</b>	<b>\$ 4,201,400</b>	<b>\$ 4,330,900</b>	<b>\$ 4,327,600</b>

## Wastewater Results: Summary of Reserve Funds

- At the end of the 5 year rate period, the Wastewater reserve funds are **still below** the recommended minimum target by \$800,000.
  - It should also be noted that the capital improvement budget has a wastewater project planned in FY 2021/2022 that requires \$3.9 million (see Exhibit 2 in Wastewater appendences) that has not been sufficiently funded under this rate proposal.

# **Advanced Metering Infrastructure (AMI)**

# AMI: Water Meter Replacement

- In 2015, Solano County Grand Jury Report
  - Showed that 25-30% of the City's water leaves the plant and is not reported as billed consumption.
  - The industry expectation for unaccounted water is between 10-15%.
- The City estimates that 12-15% of unaccounted water is assumed to come from underperforming, aging water meters.

# AMI: Water Meter Replacement

- AMI water meter replacement project:
  - \$12 per bi-monthly bill for the water meter replacement project (\$6 per month) for 3/4" and 5/8" meters.
  - \$14 per bi-monthly bill for the water meter replacement project (\$7 per month) for larger meters.
- ❖ *The fee would be reduced to match actual rate terms.*

# Combined Residential Bills Impacts: Water & Wastewater

# Estimated Average SFR Bi-monthly Bill Increase

## Without Drought Surcharge

Water	\$	10
Wastewater	\$	22
AMI meter replacement	\$	<u>12</u>
Total for 25 hcf (bi-monthly)	\$	<u><u>44</u></u>

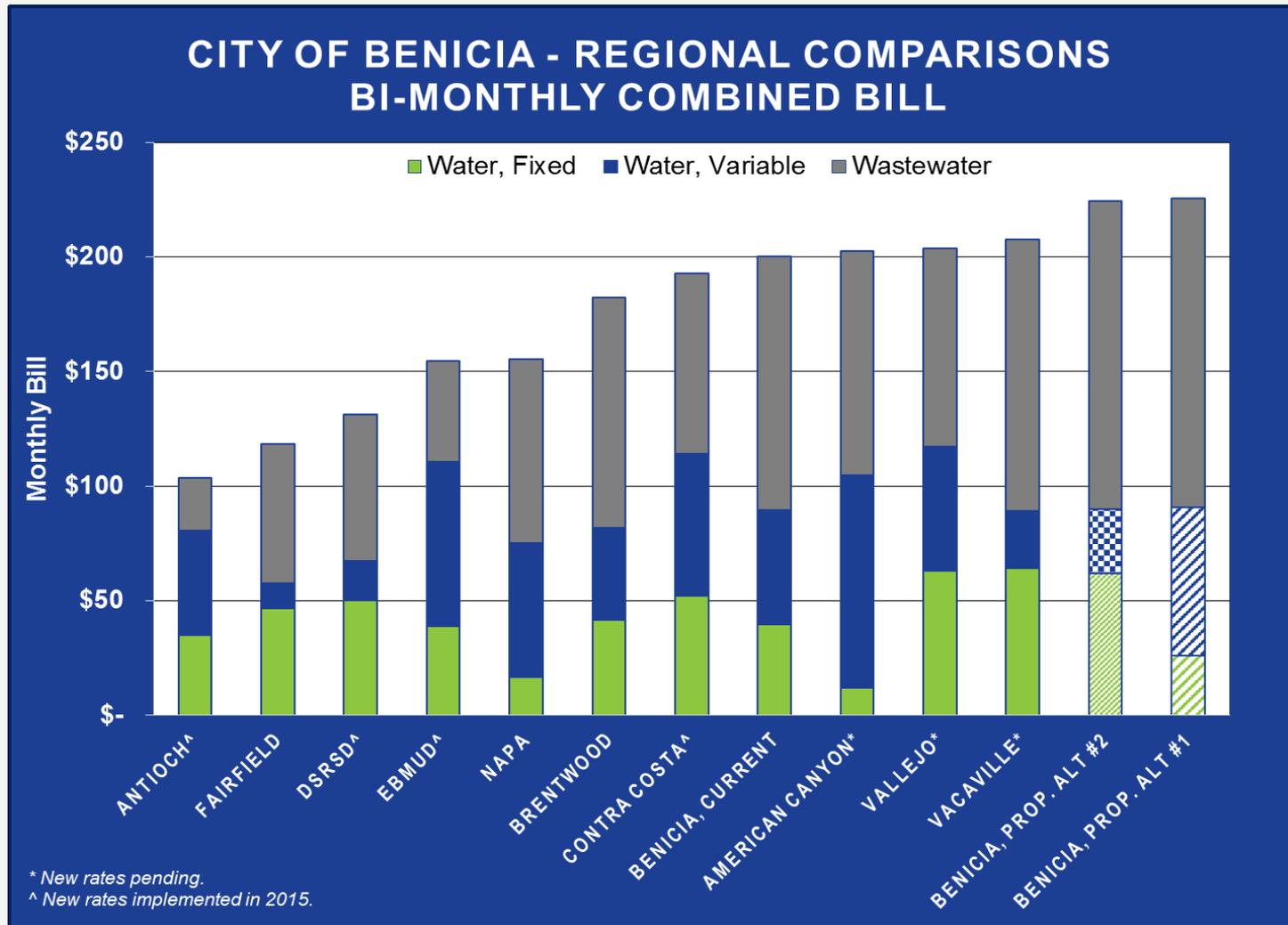
## Estimated Average SFR Bi-monthly Bill Increase with Drought Surcharge

- Provide bill comparison if the drought surcharge remained in place. Shown on the next page at 25 hcf, the water bill would increase \$22 per bimonthly bill verses \$10 without the increase.

### **Expected total increase in bimonthly bill for a customer using 25 hcf of water.**

	Without Drought Surcharge	With Drought Surcharge	comparison
Water	\$ 10	\$ 22	\$ 12
Wastewater	\$ 22	\$ 22	\$ 0
AMI meter replacement	\$ 12	\$ 12	\$ 0
<b>Total for 25 hcf (bi-monthly)</b>	<b>\$ 44</b>	<b>\$ 56</b>	<b>\$ 12</b>

# Water & Wastewater Bill Comparisons, cont'd.



# Proposition 218 Notice

# Proposition 218 Notice

- Any proposed increase to water rates is subject to Proposition 218, which requires that:
- City Council must hold a public meeting to review the rate studies and receive public testimony.
- After taking testimony, if the City Council decides to move forward with the water and wastewater rates, the Council will set a hearing date for the formal adoption of the increases.
- City notifies property owners by mail of their right to protest the increases, 45 days prior to the scheduled hearing date.

# Proposition 218 Notice

- Each parcel has the opportunity to submit one protest.
- If, as of the close of the public hearing, more than 50% of the property owners or water customers submit a written protest to the City, the rates cannot go into effect.
- At the close of the public hearing, if a majority protest does not exist, the City Council will consider the adoption of the proposed water and wastewater rates. Council can decrease proposed rates but cannot increase from amounts stated in the public notice.

# Options

Council has the following available options. Staff recommends option one as critically necessary for recovering the drought-related costs and maintaining minimal Water and Wastewater Enterprise Fund reserves:

- ✓ Adopt Resolution of Intention to increase the water and wastewater rates and approve the Proposition 218 Notice to the Public, or
- ✓ Take No Action.

# Questions

