

## Proposition 218 Notification

### Notice of Public Hearing On Water and Sewer Rate Adjustments

Hearing Date and Time: July 31, 2018, at 6:30 PM

Hearing Location: City Council Chambers, 232 W. Sierra Madre Boulevard, Sierra Madre, CA 91024

#### NOTICE TO SIERRA MADRE WATER and/or SEWER CUSTOMERS AND PROPERTY OWNERS OF A PUBLIC HEARING FOR A MULTI-YEAR WATER AND SEWER RATE ADJUSTMENT

##### **Public Hearing Notice is Hereby Given**

That the Sierra Madre City Council will hold a public hearing on Tuesday, July 31, 2018, at 6:30 pm in the City Council Chambers, City Hall, 232 W. Sierra Madre Boulevard, Sierra Madre, California, 91024, to consider adopting rate adjustments for water and sewer fees.

##### **Water and Sewer Rates**

The City provides water and sewer services to more than 3,800 accounts within the city limits. The Water and Sewer utilities must be financially self-sufficient. Each utility operates independently from one another. Rates paid by users are the primary source of revenue. All revenue generated from your utility bills is used to maintain the water and sewer systems; it is not used for other general governmental purposes. These revenues must meet costs such as water production, imported water purchases, electricity, chemicals, infrastructure replacement, infrastructure renewal and maintenance, and costs of personnel in each utility enterprise.

##### **Water and Sewer Rate Study**

The City of Sierra Madre retained the services of Raftelis Financial Consultants, Inc. to complete a comprehensive water and sewer rate study to determine the appropriate level of revenue required to fund the water and sewer utilities. Proper funding of the water and sewer utility enables the City to ensure the delivery of reliable, quality water that meets or exceeds all state and federal standards; and ensures that the sewer system is maintained and minimizes the possible occurrences of sewage back-ups and overflows into the storm drain system, which could subject the City to large fines and penalties. A copy of the complete draft water and sewer rate study, along with additional information, can be found on the City's website at <http://www.cityofsierramadre.com/transparency>

If you are unable to access the report and information electronically, please call City Hall at (626) 355-7135 and the information will be made available for your review in hard copy.

### **Water Rate Study Findings/Reasons for Rate Adjustment**

The City imposes water rates in order to fund the costs of operating and maintaining the water system, replacing infrastructure, as well as to pay off the costs of improvements previously made to that system (bond debt). As proposed, the water rate study would be implemented on August 1, 2018. The proposed rate adjustment in 2018 establishes an infrastructure fixed charge and impacts rates for both the fixed costs and rates for the variable water usage costs by the amounts shown in the tables in this notice. The infrastructure fixed charge, described in this notification, is a new charge and is proposed to be established if this rate study is adopted. In future years water rates will only need modest cost of living adjustments (COLA) (based on percentage change in the consumer price index (CPI) for Los Angeles-Orange-Riverside). The COLA adjustment would be implemented on July 1, 2019, July 1, 2020, July 1, 2021, and July 1, 2022.

### **Proposed Water Rates**

The proposed water rates are a combination of: 1) fixed bi-monthly charges, including customer service, meter capacity, and the new, proposed infrastructure charge (and fire line charges for accounts with a private fire line), and 2) bi-monthly variable charges, determined by units of water (748 gallons/unit) consumed in each billing period.

In calendar year 2017 the City was able to locally produce 48% of the water necessary to meet local demand. The remaining 52% of water necessary to meet demand was imported into Sierra Madre. Imported water is significantly more costly than water which is produced locally. It is unlikely the City of Sierra Madre will ever again be able to meet the water demand of Sierra Madre residents through locally produced water alone. The total demand for water use by residents exceeds the amount of adjudicated and available pumping rights the City possesses. The current groundwater level in our sole aquifer is critically low, due to over pumping and lack of natural recharge. This further restricts the amount of water which can be produced. In order to meet demand in excess of what can be produced locally, the City must import water.

As part of the water rate design, the net amount of available groundwater is apportioned evenly to all single-family residential accounts, with duplexes counting as an additional single-family account. Doing so resulted in each single-family residential account receiving a fair share amount of groundwater equal to 14 ccf (units) per account in a bi-monthly billing period. Every unit of water for residential customers consumed above 14 ccf (units), which is imported water, will be billed at tier 2 water rates.

For all other customer classes, the 14 ccf per account per billing period is accounted for as part of the uniform rate structure by calculating a blended rate.

*Current and Recommended Variable Rate Structure*

<b>Customer Class / Tiers</b>	<b>Current Tier Width (hcf)</b>	<b>Recommended Tier Width (hcf)</b>
<b>Single Family<sup>1</sup></b>		
Tier 1	(0-11)	(0-14)
Tier 2	(12-33)	(>14)
Tier 3	(34-66)	N/A
Tier 4	(>66)	N/A
<b>Multi Family</b>	Same as Residential	Uniform
<b>Non-Residential</b>	Uniform	Uniform

<sup>1</sup> Single Family accounts consist of single unit housing and duplexes (two units).

As shown in the table above, the current four-tier system will be replaced with a two-tier system. Tier 1 in the proposed rate structure will consist of water Sierra Madre can produce from its ground source. Tier 2 will consist of water which Sierra Madre must import to meet consumption demand.

The water rate each single-family residential customer will pay will be comprised of fixed bi-monthly charges, including customer service, meter capacity, and the proposed infrastructure charge ( and fire line charges for accounts with a private fire line) plus the variable charge of water usage from Tier 1 and/or Tier 2.

The water rate each non-residential and multi-family residential customer will pay will be comprised of fixed bi-monthly charges, including customer service, meter capacity, and the proposed infrastructure fixed charge plus a uniform rate as shown in the tables below.

The following tables show the current and proposed bi-monthly fixed, and variable charges, and also show the establishment of the new infrastructure charge in the proposed rates.

*Current Fixed Charge*

Meter Size	Current Fixed Water Service Charge (\$ / Bi-Month)
5/8"	\$79.68
3/4"	\$79.68
1"	\$107.00
1 1/2"	\$152.54
2"	\$207.18
3"	\$334.68
4"	\$516.83

*Proposed Fixed Charge*

Meter Size	FYE 2019 Recommended Fixed Service Charge (\$ / Bi-Month)
5/8"	\$79.57
3/4"	\$79.57
1"	\$97.22
1 1/2"	\$140.92
2"	\$193.58
3"	\$360.52
4"	\$606.17

*Current Variable Usage Charge*

Customer Class / Tiers	Tier Width (hcf)	FYE 2018 Water Usage Charge (\$/hcf)
<b>Residential</b>		
Tier 1	(0-11)	\$2.69
Tier 2	(12-33)	\$3.47
Tier 3	(34-66)	\$4.08
Tier 4	(>66)	\$5.55
<b>Non-Residential</b>		
Uniform	N/A	\$3.89

*Proposed Variable Charge (\$/hcf)<sup>1</sup>*

Customer Class	FYE 2019 Recommended Variable Charge
<b>Single Family</b>	
Tier 1	\$2.70
Tier 2	\$4.23
Tier 3	Eliminated in Recommended Study
Tier 4	Eliminated in Recommended Study
<b>Multi-Family</b>	\$3.73
<b>Non-Residential</b>	\$3.71
<b>Irrigation</b>	\$3.81
<b>Institutional</b>	\$4.10

*FYE 2019 Recommended Infrastructure Fixed Charge (\$/Bi-Month)<sup>2</sup>*

Meter Size	FYE 2019 Recommended Infrastructure Charge
3/4" or less	\$38.07
1"	\$63.58
1 1/2"	\$126.77
2"	202.91
3"	444.28
4"	\$799.47

<sup>1</sup> Rates for subsequent years after FYE 2019 shall adjust based on the percentage change in CPI.

<sup>2</sup> Rates for subsequent years after FYE 2019 shall adjust based on the percentage change in CPI.

The recommended infrastructure charge is a new charge and will be established if the rates are adopted and implemented. The infrastructure charge will be used for the replacement of water mains and other infrastructure needs in the Water utility.

#### **Sewer Rate Study Findings/Reasons for the Rate Increase**

A complete listing of rates is shown in the tables below. At the adoption of the previous Sewer Rate study (2013), the cost of sewer operations exceeded the revenues collected through sewer rates. Instead of increasing rates as proposed, the City Council directed the Sewer Fund to draw down on the fund balance to pay for ongoing operations. The drawing down of reserves is now complete and without adopting the recommended increases to the Sewer Rates, the Sewer Fund will fully deplete its operating reserves. The proposed increases to the Sewer Rates will allow the Sewer Fund to pay for ongoing expenses and infrastructure. The proposed sewer rates would increase the current bi-monthly charges by 10% on August 1, 2018, followed by 3% increases on July 1, 2019, July 1, 2020, July 1, 2021, and July 1, 2022

### **Proposed Sewer Rates**

#### *Current and Recommended Bi-Monthly Fixed Charges*

Customer Class	FYE 2018 Base Charge (\$/Bi-Monthly) CURRENT	FYE 2019 Recommended Fixed Charge	FYE 2020 Recommended Fixed Charge	FYE 2021 Recommended Fixed Charge	FYE 2022 Recommended Fixed Charge	FYE 2023 Recommended Fixed Charge
<b>Residential</b>	\$32.24	\$35.36	\$36.42	\$37.51	\$38.64	\$39.80
<b>Non-Residential</b>						
Commercial	\$19.53	\$28.70	\$29.56	\$30.45	\$31.36	\$32.30
Institutional	\$19.53	\$28.70	\$29.56	\$30.45	\$31.36	\$32.30

#### *Current and Recommended Variable Charges (\$/ccf)*

Customer Class	FYE 2018 Flow Rates (\$/ccf) CURRENT	FYE 2019 Recommended Variable Charge	FYE 2020 Recommended Variable Charge	FYE 2021 Recommended Variable Charge	FYE 2022 Recommended Variable Charge	FYE 2023 Recommended Variable Charge
<b>Non-Residential</b>						
Commercial	\$0.72	\$0.65	\$0.67	\$0.69	\$0.71	\$0.73
Institutional	\$0.43	\$0.65	\$0.67	\$0.69	\$0.71	\$0.73

## THIS IS AN OFFICIAL PROTEST BALLOT

### How to Protest the Proposed Adjustments

As the owner of record of a parcel, or a water and/or sewer ratepayer subject to the imposition of the proposed rate adjustments, you may submit a written protest against the proposed rate changes. If the City receives written protests against the proposed water and sewer rates by a majority of the affected parcel owners or rate payers prior to the end of the hearing, the fees may not be increased. **Only one water protest and/or one sewer protest will be counted per parcel.** Please note that written protests will not be accepted by email or fax, and verbal protests will not be counted. Only one written protest will be counted per identified parcel, filed either by an owner or a tenant of a parcel. You have the right to withdraw a written protest which has been submitted no later than at the close of the public hearing on July, 31 2018.

The City Council will count all written protests received at the public hearing:

1. If submitted by mail, the protest must be received (not postmarked) no later than 9:30 am on July 31, 2018 at the mailing address on the form addressed to the City Clerk; or
2. If hand delivered, the protest must be delivered to the City Clerk no later than at the close of the public hearing on July 31, 2018.

A written protest must include (1) your name and original signature; (2) identification of the parcel by address; (3) the assessor's ID or parcel number; (4) whether you are the owner of the parcel or the person receiving the service for which the fee is charged; (5) City Utility Account Number; and (6) your statement of the specific rate changes (water and/or sewer) for which you protest the increase in the fee.

Please identify on the front of a sealed envelope for any protest, whether mailed or submitted in person, that a ***"Water or Sewer Fee Protest is Enclosed."*** Written protests may be submitted by mail or in person only to:

City Hall  
Attention: Water or Sewer Protest  
232 W. Sierra Madre Boulevard  
Sierra Madre, CA 91024

**If you do not wish to protest the water or sewer rate adjustments, you do not need to take any action.**

Please visit the City's website at [www.cityofsierramadre.com/transparency](http://www.cityofsierramadre.com/transparency) for a copy of the Raftelis rate study.

I, \_\_\_\_\_ protest this proposed increase to water rates.  
(Print first and last name)

I, \_\_\_\_\_ protest this proposed increase to sewer rates.  
(Print first and last name)

Street Address: \_\_\_\_\_

Assessor's Parcel Number (APN): \_\_\_\_\_

Property Owner (Yes or No): \_\_\_\_\_ Person Receiving Service (Yes or No): \_\_\_\_\_

City Utility Account No: \_\_\_\_\_

Signature \_\_\_\_\_ Date: \_\_\_\_\_

(Must be signed and dated by property owner or water customer as identified in City Water Billing system.)