



City of Cloverdale

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NOTICE OF PUBLIC HEARING ON PROPOSED RATES FOR WATER AND SEWER SERVICES

(Cal. Const. Art. XIII D §6(a)(11))

DATE: April 26, 2016

TIME: At or after 6:30 p.m.

LOCATION: Cloverdale Performing Arts Center
209 N. Cloverdale Blvd.

You are receiving this notice because you are either a City of Cloverdale water and/or sewer customer or you own property that is receiving City water and/or sewer service. The City Council will be considering a recommendation from staff to adopt changes to the water and sewer rates at a public hearing on Tuesday, April 26, 2016, at the Cloverdale Performing Arts Center, 209 N. Cloverdale Blvd. The hearing will start at 6:30 p.m. or as soon thereafter as the matter may be heard. The new rates, if adopted, will go into effect on or after June 1, 2016.

Cloverdale's Water and Sewer Utilities

The City of Cloverdale provides water services to over 3,600 residential, commercial, industrial, and irrigation service connections. The City can provide more than 500 million gallons of water per year and maintains over 40 miles of water pipelines, 3,600 service lines, hundreds of fire hydrants, six (6) storage tanks, and two pump stations. The City's water filtration plant has the capacity to produce 4.5 million gallons per day of high quality drinking water. The City's four (4) wells have a total capacity in the summer months of 2.4 million gallons per day. The City is nearing completion of about \$4 million in needed water system improvements that have been funded by a low-interest loan from the United States Department of Agriculture (USDA). Additional capital projects totaling about \$3.6 million have been identified to rehabilitate and upgrade the water system over the next five years.

Cloverdale also provides sewer services to approximately 3,600 customers, maintaining over 37 miles of sewer mains, and one sewer lift station. The City operates and maintains a sewer treatment plant with capacity to treat up to 2.2 million gallons per day. Planned capital projects to improve the sewer system total about \$3.6 million over the next five years. Projects are intended to replace old and deteriorated sewer pipelines as well as improve wastewater treatment processes.

How are the City's Water and Sewer Utilities Funded?

Cloverdale's water and sewer utilities are enterprises of the City; each largely supported by water and sewer rates, respectively. Property taxes or other general revenues of the City are not used to pay the costs of water and sewer services (with the exception that both utilities receive some general fund support to pay certain Public Employees Retirement System costs). Rate revenues for each utility are used to pay for ongoing operations, maintenance, repair and replacement of existing infrastructure, administrative costs, and debt obligations, as well as to maintain prudent financial reserves. Other revenues to the utilities include capacity fees paid by new development, interest earnings, and miscellaneous service revenue. This public notice and the public hearing address only the proposed water and sewer rates, described in this notice.

How Have the City Water and Sewer Utilities Cut Costs?

Cloverdale continues to make every effort to keep costs down while maintaining the high level of service that customers have come to expect. Over the past few years, the City has worked with employees to reduce labor costs and the public works department has acted to significantly reduce expenses by eliminating positions, restructuring the utility organization, and reducing operating costs.

Reasons for the Proposed Rate Changes

Water and sewer rates were last adjusted in July 2015. Periodic rate adjustments are necessary to: (1) ensure that each customer bears a fair and proportionate share of the cost of providing services (consistent with legal requirements), (2) cover the rising cost of providing services, including operation and maintenance costs, debt service, and capital program needs, (3) meet financial, regulatory, and service obligations. Water and sewer costs include energy, fuel, and chemical costs; water production and treatment costs; sewer treatment and disposal costs; water distribution and sewer collection costs; administrative and customer service costs; and costs related to facilities replacement, rehabilitation, and upgrade of the water and sewer systems. Central factors necessitating rate increases at this time include:

- Funding requirements for planned replacement, rehabilitation, and upgrades to water and sewer facilities.
- Debt service associated with the financing of new water supply improvements, as well as new operating costs associated with those facilities.
- Existing water system debt service covenant obligations require the City to maintain water rates at certain levels, relative to expenses.
- The current drought has resulted in a reduction in financial reserves.
- Increased costs of water and sewer operations, including energy costs, supplies, maintenance, and employee costs.

Has the Drought Necessitated These Rate Increases?

California has been in the midst of a drought for the past two years. In 2014, the Governor requested communities to voluntarily reduce water usage, but worsening conditions in 2015 resulted in state-mandated water use restrictions. Residents and businesses in Cloverdale responded well to the call to reduce water usage, and exceeded the 20 percent water use reduction goal established by the State for Cloverdale. Reduced water usage has reduced the City's water rate revenues. However, it has not had a damaging effect on the water utility's financial condition. While financial reserves have been somewhat depleted, the proposed increase in water rates is necessitated more by debt service obligations and the needs of the capital improvement program.

As described later in this notice, the proposed water rates include the adoption of new temporary water shortage surcharges. The temporary surcharges would not be implemented now, but would be available in a future drought and would help maintain financial (and rate) stability in periods of extended water shortage.

How Would the Water and Sewer Rates Change?

Changes are proposed to both the water and sewer rate structures in order to improve equity, reflect the cost of providing service, meet financial obligations, and continue to encourage water conservation and efficient use of resources. The proposed new water rates are based on:

- Replacing the 3-tier water usage rate for single family customers with a uniform water usage rate currently applicable to multi-family and non-residential customers.
- Adjusting the fixed monthly service charges to reflect a proportionate allocation of customer and capacity costs across the customer base, based on meter size.

The proposed new sewer rates are based on:

- Continuing flat rates for single family and multi-family accounts, with adjustments to reflect the new cost of service analysis.

Temporary Water Shortage Rate Surcharges

To counter the financial impact of water shortage, a three-prong strategy is proposed that includes: (1) utilizing a portion of the available Contingency Reserves to offset a portion of the financial deficit created by reduced water sales, (2) implementing a temporary water shortage rate surcharge, and (3) in the most severe conditions reducing the annual contribution to the capital replacement program. This strategy, including the temporary water shortage rate surcharges, will be incorporated into the City's water shortage contingency plans.

Once adopted, proposed temporary water shortage rate surcharges could be implemented when the City Council declares a water shortage emergency, and would be tied to defined stages of water shortage emergency. Temporary water shortage rate surcharges would be applied to the uniform water usage rate (but not the monthly service charges). Water shortage rate surcharges have been designed such that customers meeting water use reduction goals will have **lower** water bills than their normal water bills with normal water usage. The table below presents the proposed temporary water shortage rate surcharges, expressed as a percentage of the normal water usage rate. The amount of the surcharge would depend on the water shortage stage declared by the City Council. The specific rates shown below are an example, based on the proposed water rates for June 2016. As an example, under Stage 2 conditions, a 15 percent water shortage rate surcharge would temporarily increase the water usage rate from \$4.35 per CCF to \$5.00 per CCF (a surcharge of \$0.65 per CCF). Monthly service charges would be unaffected. The temporary surcharge would be rescinded when emergency conditions end.

The City Council currently has no plans to implement the proposed temporary water shortage rate surcharges during the current drought. Adopting the surcharges at this time would enable timely implementation during a future water shortage.

Proposed Temporary Water Shortage Rate Surcharges Applied to Water Rates for May 2016 (1)

	Normal Supply Conditions (1)	Stage 1 Minor Shortage (Voluntary)	Stage 2 Moderate Shortage (Mandatory)	Stage 3 Urgent Shortage (Mandatory)	Stage 4 Critical Shortage (Mandatory)
Use Reduction Goal -->	None	10% to 20%	20% to 30%	30% to 40%	> 40%
Wtr. Short. Surch. (2) -->	None	6%	15%	24%	32%
Monthly Base Charges					
Up to 1" Meter	\$ 22.25				
1 1/2" Meter	\$ 42.07				
2" Meter	\$ 65.85		No Changes to Base Charges		
3" Meter	\$ 121.35				
4" Meter	\$ 200.63				
Water Usage Rates (\$/CCF)					
All Water Usage (3)	\$ 4.35	\$ 4.61	\$ 5.00	\$ 5.39	\$ 5.74

Notes:

- (1) The water shortage rate surcharge percentages are shown applied to the proposed water usage rate for June 2016 for illustrative purposes. The percentages would be applied to any then-current water usage rates when implemented by declaration of a water shortage by the City Council.
- (2) The water shortage rate surcharge would be an incremental (percentage) increase in the water usage rate, but would not be applied to monthly base charges.
- (3) The water usage rates shown for Stages 1 through 4 incorporate the water shortage rate surcharge.

How to protest the proposed rate increases

All owners and tenants of property receiving water and/or sewer service, all City water and/or sewer customers, and interested persons are invited to attend the Public Hearing and be heard about proposed changes to the service charges for water and sewer services. An owner or tenant of property receiving City water or sewer service may protest the proposed service charges by submitting a written protest by mail or in person to the Deputy City Clerk, 124 N. Cloverdale Blvd., Cloverdale, CA 95425. Written protests must be received (*not postmarked*) by the Deputy City Clerk before or during the public hearing to be held on April 26, 2016 at 6:30 p.m. Any protest submitted by e-mail or other electronic means will not be accepted.

The protest must be signed by the property owner(s) or tenant(s) and must include the assessor's parcel number(s) or street address(es) of the property(ies) served and indicate which rates (water and/or sewer) are being protested. If the protest does not indicate whether it is a protest related to rates for water or sewer, it will be counted as a protest for both. Only one written protest per identified parcel or property will be counted for purposes of determining whether there is a majority protest. If written protests against the proposed water and/or sewer rates are received for a majority of the parcels subject to the proposed rates, the City will not impose the proposed rates for the utility service(s) receiving the majority protest.

Additional information regarding the proposed water and sewer rates is presented in the *City of Cloverdale Water and Sewer Rate Study Final Report* dated March 2, 2016. This report is available for review during business hours at the City Clerk's Office, 124 N. Cloverdale Blvd., or may be found at <http://www.cloverdale.net>. For questions call (707) 894-2521.

Notice of Public Hearing

Date: April 26, 2016

Time: At or after 6:30 p.m.

**Cloverdale Performing Arts Center
209 N. Cloverdale Blvd., Cloverdale**

On Tuesday, April 26, 2016, at or after 6:30 p.m., the Cloverdale City Council will hold a public hearing to consider the proposed water and sewer rates as described in this notice. Additional information is available on the City's website at <http://www.cloverdale.net/>



- Adjusting the fixed monthly service charges for non-residential customers to reflect a proportionate allocation of customer and capacity costs across the customer base, based on meter size.
- Continuation of the low, medium, and high non-residential sewage strength categories.

Water and Sewer Rate Structures

The proposed water and sewer rate structures continue to encourage water conservation and water use efficiency. For water service, all customers would be charged a fixed monthly service charge and a usage charge. Fixed monthly service charges would be based on size of the water meter for all customers. Water usage rates would be based on actual monthly water usage. For sewer service, residential sewer charges would continue to apply to each dwelling unit (single family or multi-family). Non-residential sewer rates will include a service charge based on the size of the water meter, and low, medium or high strength usage rates applied to monthly water usage.

Estimating Your Utility Bill

A typical single-family residential customer currently uses an average of 8 CCF (1 CCF = 100 cubic feet = 748 gallons) of water per month, and has a 5/8 or 1 inch meter. Based on these amounts, a typical single family customer’s monthly utility bill would have the following water and sewer service charges as of June 2016.

June 2016 Typical Monthly Single Family Residential Water and Sewer Bill:

Water Service	Service Charge:	\$22.25
	Usage Charge: 8 CCF @ \$4.35/CCF	<u>\$34.80</u>
	Water Bill Total	\$57.05
Sewer Service	Sewer Service Charge	<u>\$38.20</u>
Combined Water and Sewer Bill		\$95.25

Under current water and sewer rates, the above customer would have a combined water and sewer bill of \$88.42. With the new rates, the water portion of the bill increases by \$7.27, and the sewer portion of the bill decreases by \$0.44. Every customer’s usage is unique, and each customer’s bill will vary. You can estimate how the proposed water and sewer rates will affect your monthly water and sewer bill by using the rate schedules included below. Water use and meter size information can be obtained from your utility bill.

Proposed Monthly Water Rate Schedules (1)

	June 2016	July 2017	July 2018	July 2019
Monthly Base Charges				
Up to 1" Meter	\$ 22.25	\$ 22.92	\$ 23.61	\$ 24.32
1 1/2" Meter	\$ 42.07	\$ 43.33	\$ 44.63	\$ 45.97
2" Meter	\$ 65.85	\$ 67.83	\$ 69.86	\$ 71.96
3" Meter	\$ 121.35	\$ 124.99	\$ 128.74	\$ 132.60
4" Meter	\$ 200.63	\$ 206.65	\$ 212.85	\$ 219.24
Water Usage Rates (\$/CCF)				
All Water Usage	\$ 4.35	\$ 4.48	\$ 4.61	\$ 4.75

Notes:

(1) Water rates outside the City should continue to be 5 percent higher than inside the City.

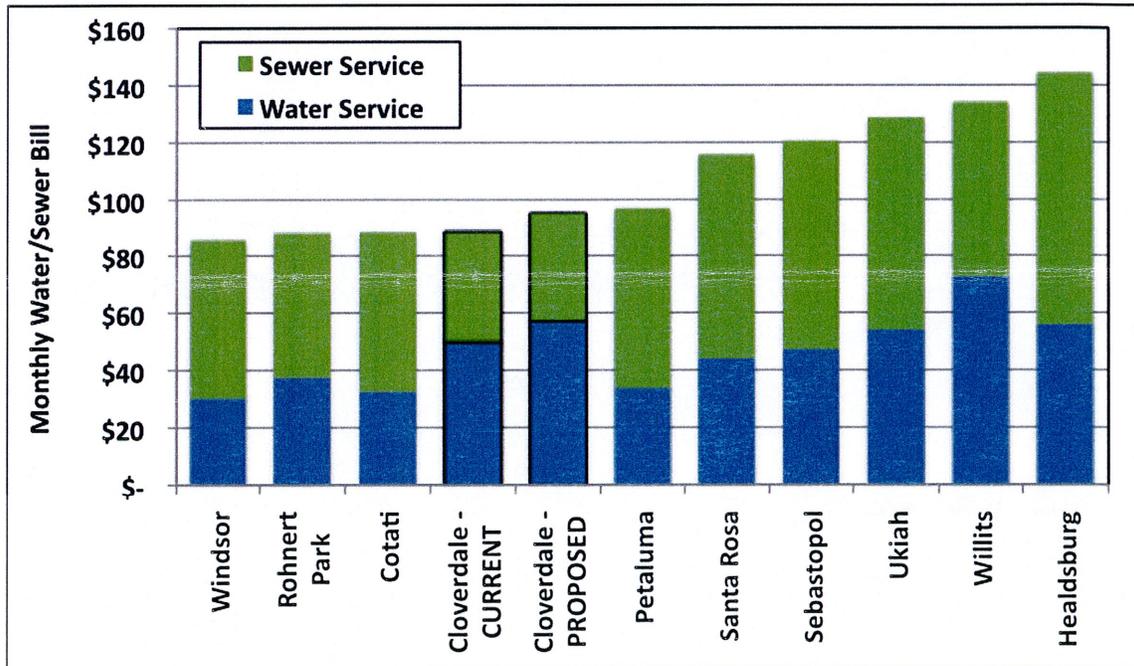
Proposed Monthly Sewer Rate Schedules

	June 2016	July 2017	July 2018	July 2019
Residential Flat Rates				
Single Family Residential (per DU)	\$ 38.20	\$ 39.35	\$ 40.53	\$ 41.75
Multi-Family Residential (per DU)	\$ 24.72	\$ 25.46	\$ 26.22	\$ 27.01
Non-Residential Base Charges				
Up to 1" Meter	\$ 10.92	\$ 11.25	\$ 11.59	\$ 11.94
1 1/2" Meter	\$ 19.73	\$ 20.32	\$ 20.93	\$ 21.56
2" Meter	\$ 30.30	\$ 31.21	\$ 32.15	\$ 33.11
3" Meter	\$ 54.97	\$ 56.62	\$ 58.32	\$ 60.07
4" Meter	\$ 90.22	\$ 92.93	\$ 95.72	\$ 98.59
Non-Residential Usage Charges (\$/CCF)				
Low Strength	\$ 4.49	\$ 4.62	\$ 4.76	\$ 4.90
Medium Strength	\$ 5.59	\$ 5.76	\$ 5.93	\$ 6.11
High Strength	\$ 8.09	\$ 8.33	\$ 8.58	\$ 8.84
Public Schools				
Per 100 ADA	\$ 148.15	\$ 152.59	\$ 157.17	\$ 161.89

Comparison of Rates to Neighboring Cities

The following chart compares the City's existing and proposed monthly combined water and sewer bills for a typical single family customer with the bills that would be paid in neighboring cities. Even with the proposed changes in water and sewer rates, the typical water and sewer bill will be in the lower half of the range found in neighboring communities.

Comparison of Typical Monthly Single Family Water and Sewer Bill with Neighboring Communities (1)



Notes:

(1) Based on current rates in neighboring communities with the base meter size and 8 CCF of water usage and 5 CCF of winter water use (for sewer billing).