

**NOTICE OF PUBLIC HEARING
CONCERNING RATE INCREASES FOR
CITY OF MONTAGUE
WATER & WASTEWATER SERVICES**

Regarding Assessor's Parcel Number: (*insert APN here*)

Dear Customer and/or Property Owner:

NOTICE OF PUBLIC HEARING

The Montague City Council will hold a public hearing on the proposed rate increases on Monday, February 16, 2026 at 6:30pm at the Montague Community Hall located at 200 South 11th Street, Montague, CA 96064. The hearing will cover proposed rate increases for the City's water and wastewater services in order to maintain reliable service. If adopted, the proposed rate increases will become effective as indicated on the table(s) attached with this notice.

INTRODUCTION

The purpose of this notice is to explain the proposed utility rate increases for City of Montague water and wastewater services. The Montague City Council directed staff to initiate a public review process as provided by Proposition 218. The Council is considering a rate increase for both water and sewer services. According to the State Constitution, Article 13D, an engineering study must be undertaken to determine the cost of operation of those systems, prior to any rate increase. The City Engineer has completed those studies and has made his recommendations to the City Council. The findings indicate the City is not charging enough to cover its costs of operation, maintenance and replacement of the water and wastewater treatment facilities and infrastructure. The actual numbers associated with those findings will be discussed later in this notice.

A public hearing to review all information and an opportunity to object to the proposed increase will be held prior to any rate hike. The council hopes you will take this opportunity to become better acquainted with the situation and are then able to make an informed decision. If you have further questions please contact the City staff and plan on attending the public hearing.

This notice is being sent to property owners in the City of Montague, based on the Siskiyou County Assessors Office as of October 2025. Property owners will receive the notice regardless whether they receive utility service or not. Each parcel number of record is entitled to one objection. This notice describes how to file a protest against the proposed rate increases. If a majority of property owners protest, the rates will not be changed. If that occurs, revenues will not keep up with the cost increases for operations, materials, maintenance and capital reserves.

Staff presented to the Montague City Council at the regular City Council Meeting on December 4, 2025 at 6:30pm for their approval of the proposed rate increases and were directed to proceed with the mailing of this Public Notice. If a majority of property owners do not protest the rate increases, then the increases will be considered by the City Council on March 5, 2026 at the Regular City Council Meeting and if approved will go into effect as indicated on the tables located within this notice.

BACKGROUND INFORMATION

The City of Montague's surface water supply is obtained from two sources. The winter source is from the Little Shasta River and the summer supply is from Lake Shastina. Water from both these sources is conveyed to the City's raw water storage ponds by the Montague Water Conservation District's system of irrigation canals.

In past years there have been upgrades to the City's Water System. In 2008 a new 1 Million Gallon water storage tank was put on line. Then in January of 2015 a new water treatment plant was incorporated into the City's Water System. These improvements replaced the old water treatment plant that had been in operation since 1975 and an old tank that had been on line since 1976.

The quality of the raw water varies depending on the source, the time of year, whether it's a drought year etc. It can be quite good or very poor and is always difficult to treat. There are a number of Federal and State regulations (more so in the case of a surface water supply) which must be met in order to provide the community with safe drinking water. Further discussion of regulations will be made later in this notice.

The majority of Montague's wastewater collection system was installed in 1953. The existing treatment facility was constructed in 1978. The treatment facility was upgraded with the addition of aeration in 1986. There have been additions to the aeration system on a continuous basis over the years to accommodate the growth in the community. The biggest problem facing the wastewater system in previous years was the high level of inflow and infiltration, during wet years, into the collection system. This issue was resolved with the replacement of several sewer mains in 2015. Currently, there is a need to begin replacing pumps and motors installed at the time of original construction of the sewer treatment plant in 1978.

RATES

The table(s) attached with this notice summarizes the proposed rate changes. These changes represent the monthly impact to the typical single family customer.

The City Council needs to come up with a rate structure that will not only adequately fund existing operation and maintenance, but also set aside money for replacement costs (capital reserve fund).

When applying for a grant or loan the City discovered that the State expects the average water bill (this is only the water portion of the monthly utility bill) to be at least 1.5% of the median family monthly income for the community. If the City is not collecting that amount, the State expects the City to increase the bill to at least that amount in order to qualify for any grants or loans.

The City staff has reviewed the water rates of surrounding communities and none of the other Siskiyou County communities have to treat their water anywhere near as extensively as Montague. Because they have spring or well water sources their costs are much lower.

The proposed rate structure has been included with this letter. Please review it, keep the above information in mind and plan on attending the Public Hearing, which will be held at Community Hall on Monday, February 16, 2026 at 6:30pm. Thank you for your support.

WHY ARE RATES PROPOSED TO BE INCREASED?

Revenues from rates pay for maintenance and operation of the utilities and for many capital replacement costs or upgrades. Each utility is treated as a stand alone entity in order to account for expenditures. Several factors have contributed to the increase in costs. In general for all utilities, increased costs for materials, chemicals, labor, equipment, fuel, and unfunded State and Federal mandates increase costs. Mandates add to the cost of operation but do not cover the costs that the City will incur to meet the State and Federal Mandates. In addition, as the City continues to increase in population, there are costs associated with maintaining more facilities and handling greater volumes. Specific issues vary by utility.

The need for a rate increase in both the water and sewer bills is driven by four primary factors. **First**, a significant increase in regulations has increased costs, both in monitoring and changing treatment strategies. **Second**, a modification or replacement of the existing sewer treatment plant because of its age and operational requirements is necessary. **Third**, the need to increase the rate of growth of a capital reserve fund. **Lastly**, just the increased cost of operating and maintaining the water and wastewater systems.

Drinking water regulations are developed by USEPA and enforced by the Drinking Water Division of the California Dept. of Public Health (CDPH). Due to pressure from the general public as well as the federal legislators, USEPA has, over the past 25 years, significantly increased the number of regulated substances in the water as well as tightened a number of existing regulations. These changes have resulted in a great deal of more required laboratory testing, which unfortunately is not free. Other regulations require operational changes at the treatment plant which impact costs. A change in Cal-OSHA regulations forced the City to change from using gas chlorine for disinfection, to using liquid chlorine.

Regulations for the wastewater plant are developed by USEPA, and enforced at the state level by the Regional Water Quality Control Board. To date increased regulations on the wastewater system have not been much of a problem even though the sewer treatment plant has had several state discharge permit violations due to the effluent, coming out of the plant, having higher levels of contaminants than are allowed by the Regional Water Quality Control Board. The State in the near future will most likely mandate that the City upgrade the Sewer Treatment Plant to meet their state discharge permit, this will require that the Sewer Capital Reserve Fund be well funded, which is one of the reasons for a rate increase.

WASTEWATER CAPITAL RESERVE FUND:

The wastewater treatment plant is a much simpler system when compared to the new water treatment plant. It has much less equipment. It is mainly made up of pump lift stations, sewer treatment ponds, and aerators. There are some pumps that have reached the end of their life and will need replacement as soon as funding is available. The biggest concern in the wastewater collection system is the deteriorated condition of the homeowner's service lines.

The minimum annual contribution that should be deposited into the sewer capital reserve fund per the engineering study for capital replacement of the wastewater system is \$332,344 and the amount currently being set aside is \$94,454. This is only 28 percent of what is required to be able to have a reserve account that could actually fund upgrades to the current system whenever they becomes necessary. It is recommended that the City begins gradually increasing the amount being deposited into the wastewater capital reserve fund, which is again one of the reasons for the sewer rate increase.

WATER CAPITAL RESERVE FUND:

The City water treatment plant pumps at the rate of 55 million gallons a year, and runs about 17- 18 hours a day in the summer and runs about 3-4 hours a day in the winter. The plant was built in 2015 and has a design life of approximately 25 to 30 years. The present value of the entire water system is approximately \$13,000,000 million dollars. This includes the treatment plant, the storage tank, and the distribution piping system. A rate increase is necessary to keep up with the increasing costs of water production, system maintenance, and capital replacement.

Presently there is about \$2,379,590 in the water capital reserve fund, not near enough to cover replacement costs. With the current water rates, no money is left after expenses to put into the capital reserve fund. It is recommended that the City set aside \$309,154 annually for capital replacement costs, based on the engineering study. The primary purpose of the capital reserve fund is to provide for the replacement of components of the Water System as they reach the end of their design life.

(For example: A section of pipe installed in 1970 has an expected life of 100 years, so for that period, a small amount should be set aside on a monthly basis to provide funds for replacement at the end of the 70 years.)

Unfortunately that has not been done to the extent that it should have for a variety of reasons. Consequently, there is now only 50 years to accumulate the funds instead of the original 100.

Another reason for substantially increasing the capital reserve fund is that now all the grant and loan agencies are requiring that an account be in place, and be well funded, prior to any grant or loan funds being offered. This was not the case in most of the City's past grant and loan projects. Therefore, the development of a larger capital reserve fund (basically, a larger savings account) is a necessity.

A detailed Engineer's Report supporting the rate increases and additional information is available at City Hall, 230 S. 13th Street, Montague, CA 96064.

HOW DO I PROTEST THE PROPOSED RATE ADJUSTMENT?

The Montague City Council will consider these proposed adjustments at a public hearing at 6:30pm, Monday, February 16, 2026, at the Montague Community Hall, 200 S. 11th St. Montague, CA 96064. Under State law, if you are the owner of record of a parcel or parcels subject to the proposed rate changes, you may submit a protest against any or all of the proposed rate changes by filing a written protest with the City Clerk at or before the time set for the public hearing. (Example: If you are the owner of record [APN# associated with your tax bill] for two parcels then you will have the opportunity to protest twice, once for each parcel.) (Three parcels equals three etc.)

If a written protest is filed by a majority of the affected parcels owners, the proposed rate change will not be imposed.

If the party signing the protest is not shown on the last equalized assessment role of Siskiyou County as the owner of the parcel(s), the protest must contain or be accompanied by written evidence that such party is the owner of the parcel(s). A protest should also indicate which proposed utility increase is being protested: water, wastewater or both.



PROPOSED WATER AND SEWER RATE INCREASE SCHEDULE

	Current	April 2026	April 2027	April 2028	April 2029	April 2030
Monthly Water Base Rate	\$40.13	\$44.64	\$49.61	\$55.07	\$61.07	\$66.03
Water Maintenance Bond	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00
MWCD	\$2.10	\$2.10	\$2.10	\$2.10	\$2.10	\$2.10
Total Water Bill=	\$47.23	\$51.74	\$56.71	\$62.17	\$68.17	\$73.13
Consumption Rate Per Thousand Gallons	\$5.75	\$6.24	\$6.77	\$7.34	\$7.97	\$8.65
Monthly Sewer Charge=	\$51.21	\$57.36	\$64.24	\$71.95	\$80.58	\$90.25
Total Minimum Monthly Bill=	\$98.44	\$109.10	\$120.95	\$134.12	\$148.75	\$163.38

NOTES:

1. Monthly sewer charge will increase by 12% each year.
2. The monthly water base rate will increase by 10% each year.
3. The consumption rate per thousand gallons will increase by 8.5% each year.
4. MWCD Fees: The MWCD pass-through fee will increase if fees are raised by the Montague Water Conservation District.

