



City of Petaluma

Notice of Public Hearing on Proposed Water & Wastewater Rate Increases

Dear Property Owner or Customer,

The City of Petaluma is proposing to gradually increase its water and wastewater rates over the next five years to provide adequate funding for operating and maintenance expenses and high-priority capital improvements including rehabilitation and replacement of aging infrastructure. Petaluma's water and wastewater utilities are financially self-supporting enterprises that rely primarily on revenues from service charges to fund the costs of providing service. As such, water and wastewater rates must be set at levels adequate to fund the costs of operations, maintenance, debt service, wholesale water supply from Sonoma Water, and capital improvements needed to support safe and reliable service. The City is also proposing to adopt Water Shortage Contingency Plan Rate Adjustments that could be phased in to support financial stability of the City's utilities during a drought or water shortage emergency. The City will hold a public hearing on the proposed rates as follows:

Date: August 7, 2023
Time: 6:30 p.m.
Place: Petaluma City Hall
11 English Street
Petaluma, CA 94952

Petaluma's combined water and wastewater charges for a typical single-family home are in the middle range compared to other regional agencies and are projected to remain in the middle range with the proposed rate increases.

Proposed Water Rates

Proposed water rate increases are needed to support adequate funding for water system operations and high-priority capital improvements to the City's aging water system. Capital improvement needs include rehabilitation and replacement of older water pipelines and water storage tanks, construction of groundwater wells and treatment facilities, and other infrastructure improvements needed to support safe and reliable water service. The City has been successful in obtaining grant funding for some of its capital improvement projects and will continue seeking additional grant funding.

The City is proposing to phase in a series of gradual annual water rate increases over the next five years as shown in the table on the following page. Water rates include two components:

- **Fixed Monthly Service Charges:** Residential customers pay a fixed service charge per type of dwelling unit. Commercial and other non-residential accounts pay fixed charges based on water meter size, with higher charges for larger meters that place more demand on the water system.
- **Water Consumption Charges:** These charges are billed based on metered water consumption. Water Consumption Charges for single family residential customers are billed according to a 4-tiered rate structure with water first billed in Tier 1 and subsequently billed in higher tiers as water use increases. All other customers pay a uniform rate for all water use. Water Consumption Charges are billed per hundred cubic feet (hcf), with 1 hcf equal to approximately 748 gallons of water. Hence, the proposed Single Family Residential tiered rates of \$4.78 to \$7.01 per hcf effective September 1, 2023, equal approximately \$0.64 to \$0.94 per hundred gallons, less than 1 cent per gallon.

The proposed water rates include base 2.5% annual rate increases for each of the next 5 years to gradually increase funding for water system operations and capital improvement needs. In addition, the City plans to continue its historical practice of implementing additional annual pass-through rate adjustments to account for inflation and wholesale water rate increases levied by Sonoma Water. The proposed rates effective September 1, 2023, include a base 2.5% rate increase and also account for an additional 3.0% inflation adjustment and a \$0.23 per hcf increase in Sonoma Water’s wholesale water rates passed through to the City’s Water Consumption Charges. The proposed rates shown for subsequent years starting July 1, 2024, will be adjusted annually to account for pass-through rate adjustments for inflation and wholesale water rate increases as described later in this notice.

Proposed Water Rates						
	Current Water Rates	Proposed Rates Effective On or After				
		Sept 1 2023	July 1 2024	July 1 2025	July 1 2026	July 1 2027
FIXED MONTHLY CHARGES						
<i>Fixed monthly charges billed per residential dwelling unit or based on non-residential meter size.</i>						
Residential						
Single Family: Up to 1-inch meter	\$18.98	\$20.03	\$20.54	\$21.05	\$21.58	\$22.11
Multi-Family: Per Dwelling Unit	11.39	12.02	12.32	12.63	12.95	13.27
All Other Customers						
5/8 & 3/4-inch meter	\$18.98	\$20.03	\$20.54	\$21.05	\$21.58	\$22.11
1-inch meter	30.13	31.81	32.60	33.41	34.25	35.10
1-1/2-inch meter	58.02	61.25	62.79	64.35	65.96	67.61
2-inch meter	91.47	96.57	98.98	101.46	103.99	106.58
3-inch meter	169.56	179.01	183.49	188.08	192.79	197.61
4-inch meter	281.10	296.77	304.19	311.79	319.59	327.58
6-inch meter	559.96	591.18	605.96	621.11	636.64	652.56
WATER CONSUMPTION CHARGES						
<i>Volumetric charges billed per hundred cubic feet (hcf) of metered water use.</i>						
Single Family Residential						
Tier 1 0 - 4 hcf	\$4.31	\$4.78	\$4.90	\$5.01	\$5.13	\$5.26
Tier 2 4.01 - 8 hcf	4.79	5.29	5.41	5.54	5.68	5.81
Tier 3 8.01 - 16 hcf	5.48	6.02	6.16	6.31	6.46	6.62
Tier 4 >16 hcf	6.42	7.01	7.17	7.35	7.52	7.71
All Other Customers	4.79	5.29	5.41	5.54	5.68	5.81
Temporary Service & Water Haulers	7.18	7.81	8.00	8.19	8.39	8.59

The rates shown above shall be adjusted annually starting July 1, 2024, to account for pass-through rate adjustments for inflation and future increases in Sonoma Water’s wholesale water rates as described later in this notice.

Sample Water Bill Calculation for a Typical Single-Family Home

Effective September 1, 2023, the monthly water bill for a typical single-family home using 7 hcf of water per month would be calculated as follows:

Fixed Monthly Charge	Water Consumption Charge			Total
	<u>First 4 hcf x \$4.78</u>	<u>Next 3 hcf x \$5.29</u>	<u>Subtotal</u>	
\$20.03	\$19.12	\$15.87	\$34.99	\$55.02

Proposed Wastewater Rates

Proposed wastewater rate increases are needed to fund projected operating and maintenance expenses, meet debt service funding requirements, and provide adequate funding for high-priority capital improvements to the sewer collection system, Ellis Creek Water Recycling Facility, and recycled water system. Planned capital improvements include replacement of the influent force main and pumps that convey wastewater to the treatment plant, tertiary treatment and chemical system upgrades at the Ellis Creek Water Recycling Facility, rehabilitation and replacement of aging sewer lift stations and pipelines, and expansion of the City's recycled water distribution system. The City has been successful in obtaining grant funding for some of its capital improvement projects and will continue seeking additional grant funding.

The City is proposing to phase in a series of wastewater rate increases over the next five years as shown in the table on the following page. Wastewater rates include two components:

- **Fixed Monthly Service Charges:** Residential customers pay a fixed service charge per dwelling unit. Commercial and other non-residential accounts pay fixed charges based on water meter size, with higher charges for accounts with larger meters that place more demand on the wastewater system.
- **Wastewater Commodity Charges:** These charges are billed based on metered water consumption. Residential Commodity Charges are billed based on the lowest of either a) the average of the two lowest of four low-use months of winter water use, or b) billed monthly water use, whichever is lower. Commercial Commodity Charges are applied based on metered water use with higher rates for customers with higher-strength wastewater that costs more to treat. Metered Industrial customers are billed based on metered use and wastewater strength loadings estimated for each customer. The City's Wastewater Commodity Charges are billed in units of one hundred cubic feet (hcf), with 1 hcf equal to approximately 748 gallons. Hence, the City's proposed Residential Commodity Charge of \$9.45 per hcf effective September 1, 2023, equals approximately \$1.26 per hundred gallons or 1.26 cents per gallon.

The proposed wastewater rates include base 2.0% annual rate increases for each of the next 5 years to gradually increase funding for wastewater system operations and capital improvement needs. In addition, the City plans to continue its historical practice of implementing additional annual pass-through rate adjustments to account for inflation. If adopted by City Council, the proposed rates will be effective September 1, 2023, and include a base 2.0% rate increase along with an additional 3.0% inflation adjustment. The proposed rates shown for subsequent years starting July 1, 2024, will be adjusted annually to account for future pass-through rate adjustments for inflation as described later in this notice.

Sample Wastewater Bill Calculation for a Typical Single-Family Home

Effective September 1, 2023, the monthly wastewater bill for a typical single-family home with billed sewer usage of 5 hcf per month would be calculated as follows:

Fixed Monthly Charge	Wastewater Commodity Charge	Total
\$39.85	5 hcf x \$9.45 = \$47.25	\$87.10

Proposed Wastewater Rates						
	Current Wastewater Rates	Proposed Rates Effective on or After				
		Sept 1 2023	July 1 2024	July 1 2025	July 1 2026	July 1 2027
FIXED MONTHLY CHARGES						
<i>Fixed monthly charges billed per residential dwelling unit or based on non-residential meter size.</i>						
RESIDENTIAL						
<i>Fixed monthly charge per dwelling unit</i>						
Single Family Residential	\$37.93	\$39.85	\$40.64	\$41.46	\$42.29	\$43.14
Multi-Unit Residential	32.24	33.88	34.55	35.24	35.95	36.67
Unmetered Residential	100.88	105.99	108.11	110.27	112.48	114.72
NON-RESIDENTIAL						
<i>Fixed monthly charge based on meter size</i>						
Up to 3/4-inch meter	\$37.93	\$39.85	\$40.64	\$41.46	\$42.29	\$43.14
1-inch meter	62.43	65.59	66.90	68.24	69.61	71.00
1-1/2 inch meter	123.66	129.91	132.51	135.16	137.86	140.62
2-inch meter	197.15	207.12	211.26	215.49	219.79	224.19
3-inch meter	368.63	387.28	395.03	402.93	410.98	419.20
4-inch meter	613.30	644.34	657.22	670.37	683.78	697.45
6-inch meter	1,226.00	1,288.04	1,313.80	1,340.07	1,366.87	1,394.21
METERED INDUSTRIAL						
<i>Fixed monthly charge based on meter size</i>						
2-inch ultrasonic meter	\$552.36	\$580.31	\$591.92	\$603.76	\$615.83	\$628.15
10-inch ultrasonic meter	1,226.00	1,288.04	1,313.80	1,340.07	1,366.87	1,394.21
2-inch magnetic meter	368.63	387.28	395.03	402.93	410.98	419.20
3-inch magnetic meter	809.57	850.53	867.55	884.90	902.60	920.66
4-inch magnetic meter	1,287.24	1,352.37	1,379.42	1,407.00	1,435.14	1,463.85
6-inch magnetic meter	2,573.31	2,703.52	2,757.60	2,812.75	2,869.01	2,926.39
WASTEWATER COMMODITY CHARGES						
<i>Volumetric charges billed per hundred cubic feet (hcf) of estimated sewer discharge.</i>						
RESIDENTIAL						
<i>Based on a) average of two lowest of four low use months of metered winter water use or b) actual water use</i>						
Single Family Residential	\$8.99	\$9.45	\$9.63	\$9.83	\$10.02	\$10.22
Multi-Unit Residential	8.99	9.45	9.63	9.83	10.02	10.22
COMMERCIAL						
<i>Billed based on metered water use</i>						
Low Strength	\$8.66	\$9.09	\$9.28	\$9.47	\$9.65	\$9.85
Medium Strength	11.78	12.38	12.63	12.89	13.14	13.41
High Strength	16.01	16.82	17.16	17.50	17.85	18.21
METERED INDUSTRIAL						
<i>Based on metered use & estimated wastewater loadings</i>						
Flow (\$/hcf)	\$7.44	\$7.82	\$7.97	\$8.13	\$8.29	\$8.46
BOD (\$/lb)	1.26	1.33	1.36	1.39	1.42	1.45
SS (\$/lb)	1.43	1.50	1.53	1.57	1.60	1.63

The rates shown above shall be adjusted annually starting July 1, 2024, to account for pass-through rate adjustments for inflation as described later in this notice.

Pass-Through Rate Adjustments for Inflation & Wholesale Water Rate Increases

Pursuant to California Government Code 53756, the City plans to adjust its water and wastewater rates each year starting July 1, 2024, to account for (a) cost inflation, and (b) future wholesale water rate increases. Prior to initiating these pass-through rate adjustments, the City will send notification to all customers at least 30 days prior to implementation informing them of the rate adjustments.

- **Future inflation pass-through rate adjustments** will be implemented by adjusting the City’s Proposed Water and Wastewater Rates by the percentage change in the Consumer Price Index (CPI) for the San Francisco Bay Area from the base reference index of 331.222 for December 2022 to the index for December of the year preceding each annual rate adjustment. For example, if the CPI increases by 3.2% from December 2022 to December 2023, the City would be authorized to adjust its adopted water and wastewater rates by an amount not to exceed 3.2% starting July 1, 2024.
- **Wholesale water rate pass-through adjustments** will be implemented by adjusting the City’s Water Consumption Charges by the increase in Sonoma Water’s wholesale water rate (in cents per hcf) from the base year rate of \$2.67 per hcf effective July 1, 2023. For example, if Sonoma Water increases its wholesale water rate to \$2.87 per hcf effective July 1, 2024, the City would be authorized to increase its Water Consumption Charges by an additional \$0.20 per hcf starting July 1, 2024.

Proposed Water Shortage Contingency Plan Rate Adjustments

The City is also proposing to authorize a series of Water Shortage Contingency Plan Rate Adjustments that could be implemented at City Council’s discretion to support the financial stability of the City’s water and wastewater enterprises during periods of drought and water shortage emergencies. If implemented, the proposed adjustments would apply to billable use and would be levied in addition to the City’s regular Water Consumption Charges and Wastewater Commodity Charges. The adjustments correspond with the Water Shortage Contingency Plan Levels identified in the City’s 2020 Urban Water Management Plan. No adjustments are proposed for a Level 1 Water Shortage; however, the City would have authority to phase in rate adjustments in response to more significant droughts and water shortages up to the maximum proposed levels.

Proposed Maximum Water Shortage Contingency Plan Rate Adjustments					
	Water Shortage Contingency Plan Level				
	Level 2	Level 3	Level 4	Level 5	Level 6
Water Shortage or Mandated Reduction	Up to 20%	Up to 30%	Up to 40%	Up to 50%	> 50%
Maximum Rate Adjustment %	8%	16%	27%	41%	62%
Maximum Rate Adjustment* Effective Sept-1, 2023 (\$/hcf)	\$0.42	\$0.85	\$1.43	\$2.17	\$3.28

* Each year, the Maximum Water Shortage Contingency Plan Rate Adjustments will be adjusted on July 1 based on (a) the Maximum Rate Adjustment % corresponding with each Water Shortage Level multiplied by (b) the Water Consumption Charge implemented for All Other Customers.

Projected Maximum Wastewater Rate Adjustments for Water Shortages					
	Water Shortage Contingency Plan Level				
	Level 2	Level 3	Level 4	Level 5	Level 6
Water Shortage or Mandated Reduction	Up to 20%	Up to 30%	Up to 40%	Up to 50%	> 50%
Maximum Rate Adjustment %	5%	7%	10%	14%	20%
Maximum Rate Adjustment* Effective Sept-1, 2023 (\$/hcf)	\$0.47	\$0.66	\$0.94	\$1.32	\$1.89

* Each year, the Maximum Wastewater Rate Adjustments for Water Shortages will be adjusted on July 1 based on a) the Maximum Rate Adjustment % corresponding with each Water Shortage Level multiplied by b) the Residential Wastewater Commodity Charge.

Water Conservation Programs & Rebates

The City of Petaluma offers a variety of water conservation programs and rebates to help our water customers save water and money. These include:

- Free consultations for saving water at home and at work through the Water-Wise HouseCall Program
- Mulch Madness Program, which is a free turf conversion program for residents and businesses who want to transform their high-water use turf to a drought tolerant mulched landscape.
- Rebates for:
 - High-efficiency toilets and clothes washers
 - Pool or spa covers
 - Laundry-to-landscape greywater systems
- How-to guides and resources including how to read your water meter and check for leaks.
- Free water saving devices and supplies: low-flow faucet aerators, hose-end nozzles, and shower heads, toilet leak detection tablets, and more.

For more information, please visit the City's website at cityofpetaluma.org/consERVE, call the Water Conservation line at (707) 778-4507, or email conservation@cityofpetaluma.org

Community Input & Written Protest Procedures

Members of the public are invited to attend the Public Hearing and provide input on the proposed rates. Property owners and customers may also submit written protests against the proposed rates. Written protests must: (a) identify the affected property or properties, such as by address, Assessor's Parcel Number, or customer account number, (b) include the name and original signature of the customer or property owner submitting the protest, and (c) indicate opposition to the proposed water rates, wastewater rates, water shortage contingency plan rate adjustments, and/or pass-through rate adjustments for inflation and wholesale water rate increases.

Written protests can be mailed or delivered to: Attn: City Clerk, City of Petaluma, 11 English Street, Petaluma, CA 94952. Pursuant to California law, one written protest will be counted per parcel. Protests submitted by e-mail, facsimile, or other electronic means are not counted. The proposed rates cannot be adopted if written protests are received from a majority of affected parcels. Written protests must be submitted prior to the close of the Public Hearing.

Customer Assistance Program

Petaluma participates in the Low Income Household Water Assistance Program (LIHWAP) administered by California's Department of Community Services and Development. This is a federally funded program designed to help low-income households pay past due bills and utility bills in order to maintain or restore service and avoid disconnection due to bill payment delinquencies. Information on LIHWAP is available at csd.ca.gov/lihwap or on the City's website at cityofpetaluma.org/waterbill or by searching for "Water & Sewer Billing." Customers can also contact the City's Finance Department at 707-778-4350 to learn more about the program.

Additional Information

Pursuant to California Government Code 53759, there is a 120-day statute of limitations for challenging any new, increased, or extended fees. This statute of limitations applies to the proposed and future water rates, wastewater rates, and water shortage contingency plan rate adjustments.

The City is committed to operating as cost-effectively as possible while providing safe and reliable utility service. For questions or more information about the proposed rates, please contact the Department of Public Works & Utilities at 707-778-4546 or by email at publicworks@cityofpetaluma.org. We will host an informational meeting in July. Go to cityofpetaluma.org/waterbill for information on how to attend.