

NOTICE CONCERNING

PROPOSED WATER RATE INCREASES AND PUBLIC HEARING



August 20, 2018
6:00 p.m.



177 First Street West
Sonoma, California 95476

NOTICE IS HEREBY GIVEN that on Monday, August 20, 2018, at 6:00 p.m., a public hearing will be held at the City of Sonoma City Council Chambers located at 177 First St. West, Sonoma, California 95476 to consider proposed increases in the City's rates and charges for water service. If the City Council approves, the proposed rates will be effective September 1, 2018.

WHY IS THE CITY PROPOSING RATE INCREASES?

The City of Sonoma is subject to the California Water Code and Proposition 218 and is required to charge its customers only the cost to serve water. In January 2018, the City hired Raftelis to prepare a detailed 2018 Water Rate Study. The City Council received the report on June 25, 2018, and agreed rate adjustments are needed to continue providing a reliable water supply.

The City is dedicated to keeping rates low by maintaining lean staffing and using reserves when necessary. However, the following costs continue to rise, including: (1) water purchases, pumping and delivery; (2) maintaining and enhancing infrastructure to provide reliable and safe water; (3) overall operational costs; and (4) building adequate financial reserves for emergencies, infrastructure and droughts.

The cost to purchase water from the Sonoma County Water Agency (SCWA), which provides most of the City's water supply, is increasing by 6% this year and is expected to increase by that in each of the next five years. The City's water system is aging and needs upgrades to ensure reliable water service. Therefore, the City is proposing to invest \$7.4 million in projects, including: systematic pipeline repair, replacement of older pipes, upsizing mains for increased fire-fighting capacity, and installing advance metering infrastructure (AMI) to allow customers to more closely track water use and to identify leaks.

In summary, the major drivers of the rate increase are pay-as-you-go infrastructure improvements, new debt-funded infrastructure projects, and increased water purchase costs.

OTHER PROPOSED CHANGES

In response to a recent court decision, the City is also reducing or eliminating its volumetric rate "tiers" and additional charges for out-of-city customers. It is also adding an elevation zone charge for 52 customers and updating fire line charges.

PUBLIC HEARING AND PROTEST PROCEEDINGS

Under State law, any City customer or property owner may submit a written protest to the proposed rate changes. Written protests may be submitted in person at the Public Hearing or mailed to the City Clerk at No. 1 The Plaza, Sonoma, CA 95476. Protests must be received before the close of the August 20, 2018 public hearing. Each protest must clearly identify the property or account (by assessor's parcel number or street address), reference the proposed water rate increases and must include the printed or typed name and signature of the property owner or tenant. To ensure the authenticity of protests, protests cannot be accepted by telephone, electronic mail (e-mail), or social media sites, like Facebook or Twitter. All interested parties are invited to attend the public hearing and present written protests and/or oral comments on the proposed rate increases. Oral comments at the public hearing will qualify as formal protests of the proposed rate increases only if accompanied by a written protest as described above. If a majority of the affected property owners or customers submit timely written protests, the City cannot adopt the proposed increases. Any owner or customer may protest for a property, but only one protest is counted per property. (City of Sonoma Resolution No. 49-2014.)



If you have any questions regarding the proposed increases or how to submit a written protest, contact Rebekah Barr, City Clerk, at (707) 933-2216 or cityhall@sonomacity.org. The City's Water Cost of Service Rate Study will be available at City Hall, No. 1 The Plaza, Sonoma, CA 95476 or on the City's website at www.sonomacity.org by August 6, 2018.

PROPOSED REVENUE ADJUSTMENTS

FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
3.5%	7.5%	7.5%	7.5%	7.5%

The total revenue increase per year results in the rate increases shown in the following tables. Customers' actual increases will differ depending on the type of account (residential, commercial, industrial), meter size, and water use.

PROPOSED MONTHLY SERVICE CHARGES

All customers pay a monthly service charge, and a consumption rate. The rates were developed to adhere to state law and to be fair to all customer classes. The table below shows proposed monthly service charge for the next five fiscal years.

Meter Size	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
5/8"	\$22.80	\$24.51	\$26.35	\$28.33	\$30.46
3/4"	\$22.80	\$24.51	\$26.35	\$28.33	\$30.46
1"	\$22.80	\$24.51	\$26.35	\$28.33	\$30.46
1 1/2"	\$37.57	\$40.39	\$43.42	\$46.68	\$50.19
2"	\$55.29	\$59.44	\$63.90	\$68.70	\$73.86
3"	\$102.56	\$110.26	\$118.53	\$127.42	\$136.98
4"	\$155.73	\$167.41	\$179.97	\$193.47	\$207.99
6"	\$303.43	\$326.19	\$350.66	\$376.96	\$405.24

PROPOSED SFR VOLUMETRIC TIER STRUCTURE

The City also proposes modified consumption tiers. The table below shows current and proposed tier breakpoints for Single Family Residential (SFR) customers. All other classes will pay uniform volumetric rates — without tiers. For SFR customers, the proposed Tier 1 is based on average low-income-housing water use so water for essential needs is charged the lowest water cost possible. The second residential tier is based on the average use of all residential accounts to cover most of customers' needs. The third tier is for all water use above average use and pays a higher price to cover conservation and supply costs and to encourage conservation.

Tier	Current Structure	Proposed Structure
Tier 1	1 to 6 kgal	0 to 2 kgal
Tier 2	7 to 12 kgal	2 to 7 kgal
Tier 3	13 to 18 kgal	> 7 kgal
Tier 4	> 18 kgal	N/A

Tiers for the multi-family and commercial rates have been eliminated. Proposed consumption rates for all classes are:

PROPOSED WATER CONSUMPTION RATES (\$ / kgal)¹

Meter Size	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
SFR					
Tier 1	\$4.61	\$4.96	\$5.34	\$5.75	\$6.19
Tier 2	\$6.25	\$6.72	\$7.23	\$7.78	\$8.37
Tier 3	\$7.37	\$7.93	\$8.53	\$9.17	\$9.86
MFR					
Commercial	\$5.92	\$6.37	\$6.85	\$7.37	\$7.93
Municipal	\$6.10	\$6.56	\$7.06	\$7.59	\$8.16
Irrigation	\$6.49	\$6.98	\$7.51	\$8.08	\$8.69
Fire & Hydrant	\$8.03	\$8.64	\$9.29	\$9.99	\$10.74

Actual increases per account will differ depending on the type of account and actual water use.

PROPOSED ELEVATION CHARGES (\$ / kgal)¹

FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
\$1.78	\$1.92	\$2.07	\$2.23	\$2.40

The proposed Elevation Charges pay for the cost of pumping water to the higher elevation zone, Zone 2 — northeast of Sonoma, outside City limits. Zones 1 and 3 are not at higher elevations and, therefore, do not pay these charges. Zone 2 customers will pay this additional volumetric charge on all tiers of water use.

*The map of Zone 2 may be viewed here:
<https://www.sonomacity.org/water-rate-study>*

PROPOSED MONTHLY PRIVATE FIRE LINE CHARGES

Meter Size	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
2"	\$0.60	\$0.65	\$0.70	\$0.76	\$0.82
4"	\$3.72	\$4.00	\$4.30	\$4.63	\$4.98
6"	\$10.78	\$11.59	\$12.46	\$13.40	\$14.41
8"	\$22.98	\$24.71	\$26.57	\$28.57	\$30.72
10"	\$41.32	\$44.42	\$47.76	\$51.35	\$55.21

Fire line charges apply only to customers with dedicated fire lines — a separately metered line to supply fire sprinklers. These monthly charges recover the cost of ensuring water delivery to such private fire service connections.

¹Kgal means 1,000 gallons

PASS-THROUGH RATES

California Government Code Section 53756 allows for pass-through adjustments for increases in wholesale water costs. The City's wholesale water provider, Sonoma County Water Agency (SCWA), increased its wholesale water rates by 6% for FY 2019 and the City estimates that these rates will increase by approximately 6% in each of the next five years. If wholesale water prices rise more quickly, due to drought conditions or for another reason, the City will pass-through the difference to its customers via increased rates. If necessary, the pass-through charge will be calculated based on actual wholesale purchased water costs per acre-foot above 6%. The pass-through calculation will be the difference in anticipated wholesale water purchase costs for a fiscal year divided by estimated water use for that year.



The City's 2018 Water Rate Study will be available at City Hall, No. 1 The Plaza, Sonoma, CA 95476 or on the City's website at www.sonomacity.org by August 6, 2018.