



CITY OF SONOMA • FREQUENTLY ASKED QUESTIONS

2018 WATER RATE UPDATE

What do water rates pay for?

Water rates pay for ongoing operations, maintenance, repair and improvements of the City's water utility. Costs include the purchase of water plus operation and maintenance of wells, water mains, fire hydrants, valves, meters, pumps and other infrastructure. Rates also pay for capital improvement projects to upgrade water pipes and other infrastructure to ensure the City can continue to serve safe and reliable water into the future. The City purchases about 90% of its water from the Sonoma County Water Agency (SCWA) to serve residential, commercial and irrigation customers.

Why do my water rates need to increase?

Residents, visitors and businesses in Sonoma count on the City to deliver high-quality, reliable water for a variety of community needs including indoor use, outside irrigation and fire protection. The water utility is self-funded, meaning its revenues must equal its expenditures. Water rates must cover the cost of service and maintain prudent reserves in case of another drought or an emergency such as an earthquake or wildfire that could damage major infrastructure.

Costs to provide water service are increasing. The cost to purchase surface water from the Sonoma County Water Agency is increasing 6% this year and is expected to increase by about the same amount in each of the next five years. When SCWA's rates go up, the City's cost must, too. There are increased costs for required maintenance and improvements of the City's water system to ensure reliable and safe water supplies and to promote more efficient water use. The City plans to upsize pipes to ensure adequate fire protection in some neighborhoods, upgrade aging water mains, and install new advanced meters that provide immediate information about excessive water use to both the City and customers – to allow leaks to be fixed quickly and save water. Deferring maintenance projects makes it more expensive in the future. As we seek to conserve water as a precious resource, it is critical to have the right tools and information. A rate increase is needed so the water utility is financially and operationally sustainable now and in the future.

How much more revenue does the Water Utility need to raise?

The overall utility-wide revenue increase needed from September 2018 through June 2019 is 3.5%. Subsequent required revenue increases are 7.5% in each of July 2019, 2020, 2021, and 2022. The total revenue increases needed per year results in the rate increases shown in the Proposed Monthly Service Charges table in the Proposition 218 Notice.

How much is the rate increase?

Customers' actual increases will differ depending on the type of account (residential, commercial, industrial), meter size, and water

use. The specific increase to you will depend on the size of your meter and the amount of water you use. There will be a rate increase effective September 1. There will not be a rate increase in January 2019. Future rate increases will occur July 1st of each year.

When were water rates last increased?

Water rates were last studied in 2014, and the City Council adopted a 5-year schedule of increases. The last rate increase was 5% which was implemented in February 2018.

Is this rate increase going to pay for better utility services?

Yes. The rate increase is needed to maintain the current level of service, improve infrastructure, and to maintain reliable and safe water service. Without these increases, the public could see reduced service levels, higher future costs due to deferred maintenance, and decreased reliability. The increase will also fund fire flow improvements to protect public safety as well as advanced water meter upgrades to communicate real time water use and to quickly identify leaks or other problems, which will encourage water conservation. The City is trying to balance the funding needed for a well-managed water utility with the community's ability to pay for them.

Why is the City doing another water rate study?

Water rate studies are usually done every four or five years. The 2014 Water Rate Study came just before an important court decision which changed how water rates are calculated under Proposition 218 (a State law regulating rates), particularly regarding tiered rates (rates that increase with consumption to encourage conservation). In light of this and in response to citizen concerns, the City launched a new water rate study in 2018. To reflect this new legal requirement, this study reduces the City's tiered rates structure. Unfortunately, this means that costs that used to be paid for by high-volume water users must now be spread to all customers and most customers will see their bills increase.

What is the difference between fixed and usage rates?

The City charges both a fixed monthly service charge and a water use or "volumetric" rate. The fixed service charge is based on the size of a meter and is a flat sum due each month without respect to water use. All Single Family Residential users pay the same monthly charge because the small differences among 5/8", 3/4" and 1-inch meters do not justify different rates. The water use, or volumetric rate, is calculated by multiplying the rate by the number of gallons a customer uses (in 1,000 gallon units or "kgals") in a billing period.

Did the rate structure change?

Yes, the number of tiers (amounts of water available at progressively higher prices to encourage conservation) for the volumetric charges

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.





for Single Family customers are to be reduced from four to three. The amount of water available in each tier is also changed to reflect legal requirements. Tiers for other customer categories were replaced with a single rate per 1,000 gallons of water used.

Why is there no longer a surcharge for customers outside the City? Why is an elevation charge added?

Legal changes required this surcharge to end. However, the City has included charges to customers at higher elevations (all of whom are outside the City) to reflect the higher cost to operate pumps to serve those elevations. This affects customers in the hills around the Thornsberry area (Zone 2 on City water maps). These are called an “elevation charge” and apply to 52 customers.

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

Why doesn't new development pay for capital improvements?

New development does pay a one-time connection fee to “buy in” to the system. New development is also required to pay for and install infrastructure required to serve it. Capital improvements funded by customers’ rates are needed to maintain and improve the water system for the benefit of current users, not to serve new development.

Why does the City need capital improvements and why does that affect our rates?

The City’s water utility owns \$16.4 million in infrastructure that is used to deliver water. A reliable and safe water system is a valuable asset and an essential element of the quality of life in Sonoma. Approximately \$7.4 million of capital improvement projects are planned over the next five years to replace aging water mains, to make necessary improvements to maintain water service in the volumes and at the pressures needed to fight fires, and to install advanced meter systems to lower operating costs, quickly detect leaks and other problems, and encourage conservation. These improvements will replace old and potentially leaking lines and provide real-time information to quickly identify leaks or other problems.

What is Proposition 218?
California voters adopted Proposition 218 in November 1996 to amend the State Constitution to establish the process by which public agencies can raise taxes or service fees. It requires greater public involvement in water rate-making. Among other things, Proposition 218 requires the City to mail a notice of proposed water rates to every property owner and customer to hold a public hearing. It also allows ratepayers to submit written protests of proposed rates. If a majority of parcel owners or customers do so, the City cannot impose the new rates.

What is the “pass-through” part of the rates?

State law allows water agencies to pass-through to their customers the cost to fund increases in wholesale water costs imposed by agencies like the Sonoma County Water Agency (SCWA). The City’s 2018 rate study estimated annual wholesale water costs increases from SCWA of 6% a year. If actual SCWA charges are higher, State law allows the City to pass the difference through to customers without a further Proposition 218 hearing. The City Council would do so by resolution and customers would receive 30 days’ notice in bills.

Why did I get two letters?
The City sent letters to all the utility account holders (rate payers) in addition to all the property owners. If you own your home and are a water customer, you may get two letters. This occurred when there were differences between the name listed on the water account and the name listed on the County Assessor’s database of property owners. We want everyone to get notice and ensure full transparency and public information and to avoid legal issues.

Who can protest?
The property owner and the customer receiving water can file a protest. However, only one protest per property will be counted.

What do I have to do to protest the increase?

- Written protests can be mailed to the City Clerk or delivered in person. If you would like to protest these proposed water rates, you need to send a signed, written (not emailed) protest to the office of the City Clerk of the City of Sonoma by 6 pm on Monday, August 20, 2018. You may also attend the public hearing and submit a written protest to the City Clerk before the close of the Public Hearing on Monday, August 20, 2018.
- You must include your printed or typed name, the service address (or Assessor’s Parcel Number) for your account, and your signature. If this information is not clear and complete, your protest may not be counted.
- You must state your opposition to the proposed fee.
- One protest per parcel or account, by either an account holder or a property owner, will be sufficient to make an objection for that parcel. A majority protest requires written protests for a majority of the properties the City serves, measured by customer accounts.

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:

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.

Meter Size	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
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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	\$6.10	\$6.56	\$7.06	\$7.59	\$8.16
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.

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>

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

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.