**NOTICE TO PROPERTY OWNERS OF PUBLIC HEARING ON PROPOSED WATER SERVICE RATE SCHEDULE ADJUSTMENTS AND PROPOSED NEW TEMPORARY WATER SHORTAGE RATE SURCHARGES**
**(Please share this information with tenants)**

**Hearing Date & Time: April 20, 2016 at 6:00 p.m. or as soon thereafter as possible**
**Hearing Location: City of Ukiah, Council Chambers**
**300 Seminary Avenue, Ukiah, CA 95482**

The Ukiah City Council will conduct a public hearing on April 20, 2016 on proposed increases in the monthly rates and charges for water service. The public hearing will cover proposed water rate adjustments for the period from June 2016 through January 2020. This notice has been sent to all property owners and customers who currently receive water service provided by the City of Ukiah ("City"). If adopted, the proposed rate schedules will become effective for bills issued on or after June 1, 2016, and for bills issued on or after January 1, 2017, 2018, 2019, and 2020. The public hearing will also cover proposed new temporary water shortage rate surcharges, which, if approved, could be implemented during future water shortage emergencies declared by the City Council.

This Notice of Public Hearing provides information regarding the proposed rate adjustment to the City's water service customers pursuant to the requirements of California Constitution Article XIII D Section 6 (commonly referred to as Proposition 218). The proposed rate adjustments will be presented to the City Council for consideration and possible adoption on April 20, 2016, commencing at 6:15 p.m. in the Council Chambers located at 300 Seminary Avenue. This notice also provides information on how rates are calculated, the reasons for the required rate adjustments, how customers can receive more information on the effect of the proposed rate adjustments on their water bill, and how to file a protest against the proposed rate adjustments.

*PROPOSED CHANGES TO WATER RATES AND HOW THEY ARE CALCULATED.*

**Table 1** of this notice shows the proposed water rate schedules to be effective from June 2016 through January 2020. Each of the five rate adjustments represents a 3 percent increase in the overall level of water rate revenues, consistent with revenue needs and financial obligations.

**Table 1**
**City of Ukiah**
**Current and Proposed Water Rates**

| | Current (1) | June 2016 | January 2017 | January 2018 | January 2019 | January 2020 |
|---|---|---|---|---|---|---|
| ***Water Usage Rate ($/CCF)*** | | | | | | |
| All Water Usage | $ 2.73 | $ 2.86 | $ 2.95 | $ 3.04 | $ 3.13 | $ 3.22 |
| ***Monthly Service Charge*** | | | | | | |
| 3/4" meter | $ 32.25 | $ 33.63 | $ 34.64 | $ 35.68 | $ 36.75 | $ 37.85 |
| 1" meter | $ 54.81 | $ 54.00 | $ 55.62 | $ 57.29 | $ 59.01 | $ 60.78 |
| 1 1/2" meter | $ 106.40 | $ 104.47 | $ 107.60 | $ 110.83 | $ 114.15 | $ 117.57 |
| 2" meter | $ 170.88 | $ 165.27 | $ 170.23 | $ 175.34 | $ 180.60 | $ 186.02 |
| 3" meter | $ 322.41 | $ 307.24 | $ 316.46 | $ 325.95 | $ 335.73 | $ 345.80 |
| 4" meter | $ 538.45 | $ 510.02 | $ 525.32 | $ 541.08 | $ 557.31 | $ 574.03 |
| 6" meter | $ 1,073.66 | $ 1,016.50 | $ 1,047.00 | $ 1,078.41 | $ 1,110.76 | $1,144.08 |
| ***Monthly Fire Service Charges*** | | | | | | |
| Up to 2" meter | $ 34.18 | $ 36.07 | $ 37.15 | $ 38.26 | $ 39.41 | $ 40.59 |
| 3" meter | $ 64.48 | $ 64.84 | $ 66.79 | $ 68.79 | $ 70.85 | $ 72.98 |
| 4" meter | $ 107.69 | $ 105.93 | $ 109.11 | $ 112.38 | $ 115.75 | $ 119.22 |
| 6" meter | $ 214.72 | $ 208.56 | $ 214.82 | $ 221.26 | $ 227.90 | $ 234.74 |
| 8" meter | $ 214.72 | $ 331.77 | $ 341.72 | $ 351.97 | $ 362.53 | $ 373.41 |

**Notes:**
(1) Effective July 1, 2014.

In addition, the rate schedule for June 2016 incorporates minor changes to the rate structure consistent with a cost of service analysis performed as part of the rate study. Because of the rate structure changes, resulting from the cost of service requirements, some water bills may increase by more or by less than the 3 percent overall revenue adjustment in June 2016. A typical single family residential water bill may increase by about 4.5 percent in June 2016 with the proposed water rates, as illustrated in the sample calculation near the end of this notice.

California Constitution Article XIII D Section 6(b) requires that water rate revenues not exceed the costs of providing water service, and that the charges to customers represent a proportionate distribution of the costs of service. Proposed water rates reflect an apportioning of costs to each customer based on service demands and capacity requirements. The City will continue to have a two-component water rate—a fixed monthly service charge and a water usage charge based on the volume of water used. The City also has monthly charges for private fire service connections to recover costs associated with maintaining these connections to the water system.

**Multi-Year Rate Setting Strategy**—An in-depth financial and water rate analysis was conducted for the City by an independent water rate consultant. A copy of the City of Ukiah Water Rate Study is available at City Hall for public review and online at www.cityofukiah.com/water-utility/. The report describes the financial and water rate analyses that support the rate proposal.

The water rate study included a five-year look ahead at operating and maintenance costs, debt service obligations, and capital program needs in order to adequately prepare the funds for upcoming expenses and to avoid significant unexpected increases in rates. To meet legal and regulatory requirements, achieve service commitments, rehabilitate the aging water system, and maintain prudent financial reserves modest annual water rate increases are recommended. The recommended water rates are necessary to help ensure financial and rate stability.

***TEMPORARY WATER SHORTAGE RATE SURCHARGES:***

Proposed temporary water shortage rate surcharges are set forth in **Table 2** below. Once adopted, the temporary rate surcharges could be implemented when the City Council declares a water shortage emergency, and would be tied to water use reduction goals (or mandates) at the time of the declaration. 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.

**Table 2**
**City of Ukiah**
**Proposed Temporary Water Shortage Rate Surcharges Applied to Water Rates for June 2016 (1)**

| | Normal Supply (1) | Minor Shortage | Moderate Shortage | Critical Shortage | Health & Safety Per Capita Limit |
|---|---|---|---|---|---|
| Use Reduction Goal --> | None | 10% to 20% | 20% to 35% | 35% to 50% | > 50% |
| **Wtr. Short. Surch. (2) -->** | **None** | **None** | **15%** | **25%** | **35%** |
| ***Water Usage Rate ($/CCF)*** | | | | | |
| All Water Usage | $ 2.86 | $ 2.86 | $ 3.29 | $ 3.58 | $ 3.86 |
| ***Monthly Service Charge*** | No changes to service charges during shortages | | | | |
| 3/4" meter | $ 33.63 | $ 33.63 | $ 33.63 | $ 33.63 | $ 33.63 |
| 1" meter | $ 54.00 | $ 54.00 | $ 54.00 | $ 54.00 | $ 54.00 |
| 1 1/2" meter | $ 104.47 | $ 104.47 | $ 104.47 | $ 104.47 | $ 104.47 |
| 2" meter | $ 165.27 | $ 165.27 | $ 165.27 | $ 165.27 | $ 165.27 |
| 3" meter | $ 307.24 | $ 307.24 | $ 307.24 | $ 307.24 | $ 307.24 |
| 4" meter | $ 510.02 | $ 510.02 | $ 510.02 | $ 510.02 | $ 510.02 |
| 6" meter | $ 1,016.50 | $ 1,016.50 | $ 1,016.50 | $ 1,016.50 | $ 1,016.50 |

**Notes:**

(1) The water shortage rate surcharge percentages are shown applied to proposed water rates 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.

(2) The temporary water shortage rate surchargse would be an incremental (percentage) increase in the water usage rates, but would not be applied to monthly service charges.

**Table 2** 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 use reduction goal established by the City Council. The specific rates shown in Table 2 are an example, based on the proposed water rates for June 2016. As an example, with a water use reduction goal of 25 percent, a 15 percent water shortage rate surcharge would temporarily increase the water usage rate from $2.86 per unit to $3.29 per unit (a surcharge of $0.43 per unit). Monthly service charges would be unaffected. The temporary surcharge would be rescinded when the City Council declares an end to emergency conditions.

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 emergency condition.

**Impacts of Water Shortages on Water System**—As drought conditions worsened in 2015, the Governor declared a statewide water emergency and ordered urban water agencies to reduce water use by 25 percent. In implementing the Governor's Executive Order, the State Water Resources Control Board required the City of Ukiah to reduce water use by 20 percent over 2013 levels. The community responded well, and met the water use reduction goal. The City has been able to meet water use reduction goals through voluntary measures. However, in a future drought mandatory water use restrictions may be required. The recent water rate study included a separate analysis of the financial implications of sustained reduced water sales under a variety of water shortage conditions. Water shortage conditions can result in (1) reduced water sales, (2) reduced water production and pumping costs, and (3) increased water conservation education and assistance costs. The net effect of these impacts is to create a financial deficit during periods of water shortage (i.e., revenue will decline more than the decline in expenses). The magnitude of the deficit increases with the severity of shortage conditions

**Water Shortage Financial Strategy**—To counter the financial impact of water shortage, the three-prong strategy is proposed that includes (1) utilizing a portion of available Rate Stabilization 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.

***WHAT ACTION HAS BEEN TAKEN TO CONTROL COSTS?***

Annually the City prepares an analysis of the revenues and expenditures for the water enterprise to ensure sufficient revenues are collected, and to effectively provide for the short and long-term water service needs of the community. Revenues received from water rates are restricted solely for these purposes. The City's water rates have not been adjusted since July 2014.

Keeping costs down is one of our main concerns, especially during these difficult economic times. The City has used layoffs, furloughs and salary reductions to reduce expenditures in all operations. Water operations are an independent business enterprise of the City. Expenditures and revenues must balance. The City, including the employees in the Water Department, have worked to minimize costs, budgeting and examining the amount of each expense from scratch with no assumed increases.

Some costs, such as for the electrical power needed to run treatment plant and pumps have increased. However, quantities for disinfectant and process chemicals have decreased. These cost control measures must be delicately balanced against the ever increasing requirements from the State of California. Though at times the new requirements seem onerous, they are all ultimately intended to protect public health and the environmental quality of our valley.

## How Can I Calculate My New Water Bill?

**Basis of Proposed Rates**: The proposed water rates were designed to fairly and equitable recover the cost of providing water service from all customers. The cost of providing service will be recovered through a fixed charge, called the **monthly service charge** and through a **water usage charge** that will apply to the amount of water you consume. The **monthly service charge** is determined by the meter size. The **water usage charge** is determined by multiplying you monthly water use by the **water usage rate**. Each unit of water usage is equal to 100 cubic feet (1 CCF), or 748 gallons.

### Estimating Your New Water Bill

The fixed charge (called a monthly service charge) and the water usage charge that will apply to the amount of water you consume may be estimated as follows:

**Step 1: Find your monthly service charge**—Your water meter size will determine your **Monthly Service Charge.** The Proposed Rate in Table 1, located above, shows the proposed **Monthly Service Charge** for each meter size.

**Step 2: Determine your level of consumption**—You can find this information in your most recent water bill on the bottom right hand corner under "water usage." The proposed **Water Usage Rates** are listed at the top of the Proposed Rate Table located above.

**Step 3: Estimate your new water bill**—To calculate how much your new water bill will be, add your **monthly service charge** to your **water usage charge** (which is the number of units of water you consume multiplied by the per unit water usage rate).

The sample calculation on the right is for a single family home with a 3/4" meter and 12 units of water use. Your monthly water bill may vary, depending on your actual water usage. Water usage typically varies throughout the year, based on seasonal needs.

### Estimating Your New Water Bill

Sample Calculation Uses Water Rates
Effective June 1, 2016

**Step 1: Monthly Service Charge**
From the proposed water rate table above, determine the monthly service charge
3/4" meter = $33.63/month

**Step 2: Water Usage Charge**
Assuming this family uses 12 units of water each month
12 units @ $2.86 per unit = $34.32/month
1 unit = 1 CCF = 100 cubic feet = 748 gallons

**Step 3: Estimate your new water bill**

| | |
|---|---|
| Monthly service charge: | $33.63 |
| Consumption charge: | $34.32 |
| New bill total: | $67.95 |

In this example, the customer's water bill would increase from $65.01 under the current water rates to $67.95 under the proposed water rates for June 2016 for a change of $2.94, or about 4.5 percent.

### Master Meter Billing:

The City charges for the water used by a mobilehome park or an apartment building or complex as measured by a "master" water meter for that park or complex. Ukiah City Code Section 3961 and 3962 allow the owner to charge each tenant for his or her pro-rata share of the monthly water bill. If the park or complex uses "submeters" to measure the water used by each tenant, City Code Section 3961 prescribes a formula for computing each tenant's pro-rata share. If there are no submeters, each tenant's share must be computed by dividing the monthly charge by the number of spaces or apartments in the park or complex. The City Code can be viewed on-line at http://www.codepublishing.com/CA/Ukiah/.

### Need More Information?

A copy of the *City of Ukiah Water Rate Study* is available at City Hall for public review and online at www.cityofukiah.com. The report the financial and water rate analyses that support the rate proposal.

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### Concerns, Please Contact Us:

If you have questions, comments, or concerns about the proposed water rates, or wish to protest, you may:

**Address The Council:** Attend the Public Hearing on April 20, 2016 at 6:00 p.m.

**Call City Staff:** (707) 463-6217

**Submit a Written Protest:** City Clerk, 300 Seminary Avenue, Ukiah, CA 95482
An owner or tenant of property receiving water service from the City may protest the proposed water rates and/or temporary water shortage rate surcharges by submitting a written protest by mail or in person to the City Clerk. Written protests must be received (not postmarked) by the City Clerk before or during the public hearing. Any protest submitted by e-mail or other electronic means will not be accepted. To be valid, protests must be signed by the property owner or tenant, and must identify the property by street address or Mendocino County Assessor's Parcel Number of the property receiving water service. Only one written protest per identified parcel or property will be counted for purposes of determining whether there is a majority protest. In accordance with California Constitution, Article 13D, Section 6(a)(2), if, by the close of the public hearing, written protests against the proposed rates for water service are filed by a majority of the affected property owners, the City Council will not approve the proposed water rates.