

# City of Stockton Notice of Rescheduled Public Hearing on Proposed Adjustments to Water Rates

The City of Stockton previously mailed a notice of a Public Hearing to be held on May 24, 2016 at 5:30 p.m. to consider the adoption of adjustments to the rates for its water service charges. Since that notice was mailed, the City has been able to achieve additional costs savings by reducing its debt obligations for the water utility. As a result, the City has been able to reduce the proposed rate adjustments. The Public Hearing has been rescheduled to consider the updated rate adjustments. **The City of Stockton invites the public to attend the rescheduled public hearing on Tuesday, June 28, 2016, at 5:30 p.m., to consider adoption of a 5-year schedule of water rates. The rescheduled public hearing will be held at 425 N. El Dorado Street, Stockton.** If adopted, the new water rates will go into effect on August 1, 2016, and will be adjusted each July 1 thereafter through, and including, July 1, 2020. The maximum rates proposed to be adopted are shown in more detail below under the caption "Proposed Rates." The purpose of the rescheduled hearing is to consider all oral testimony and written protests to and the adoption of the proposed rates.

## Why are rate adjustments necessary?

The City of Stockton Municipal Utilities Department (City) is committed to providing the highest quality water at the lowest possible rates for our customers. To meet this commitment, the City engaged HDR Engineering, Inc. (HDR) to perform an independent water rate study to evaluate the infrastructure needs, programs, and operations and maintenance costs of the City's water services and the rates necessary to recover the costs for those services for the next five years. Based on this evaluation, it has been determined that rate increases are necessary for the City's water service charges to enable the City to:

- recover current and projected costs of operations, maintenance, and make capital infrastructure improvements needed to repair and update the City's aging water system;
- maintain the operational and financial stability of the utility;
- comply with State mandated regulatory requirements;
- meet and comply with annual debt service requirements; and
- avoid operational deficits and depletion of reserves.

On April 1, 2015, Governor Jerry Brown instituted California's first-ever statewide mandatory water reductions (Executive Order B-29-15), mandating the implementation of several conservation measures. On November 15, 2015, Governor Brown extended those conservation measures until October 31, 2016. Under drought regulations established pursuant to the Executive Order, the City was ordered to reduce its water consumption by 26%.

A substantial portion of the City's costs to operate and maintain the water system are fixed, meaning the costs remain the same regardless of how much water is used by customers. Over the last several years, the City has experienced declines in water demand resulting from the drought and state-mandated water use reductions, and, therefore reductions in water revenues. While experiencing these declines in water demand and revenues, the City has exercised fiscal discipline by managing operating costs to avoid significant increases in the rates for its water service charges. HDR studied the effects of the reduction in water use, and also developed rates for Drought Surcharges to ensure that there are stable revenues to fund utility obligations going forward as water use continues to decrease.

The proposed rate increases for the water service charges and the Drought Surcharges will allow the City to provide safe, reliable drinking water to its customers. Absent critical rate increases and the implementation of Drought Surcharges, the City would experience budget shortfalls for each year of the five-year forecast performed by the rate study.

## Basis upon which the rates are calculated?

**Service Charges.** The proposed rates are calculated to recover the costs of providing water services and to proportionately allocate those costs on a parcel basis among the various customer classes. There are four customer classes—single family residential, multi-family residential, non-residential (which includes commercial, industrial, and institutional customers), and irrigation. The water rate structure has two components: (1) a monthly Meter Service Charge; and (2) a Consumption Charge. The Meter Service Charge is a fixed charge established on the basis of the size of the meter serving a property (in inches) and is calculated to recover a portion of the City's fixed costs of operating, maintaining, and delivering water. The Consumption Charge is a variable charge imposed per unit of water usage, with one unit equal to one hundred cubic feet

(CCF), or 748 gallons, and is calculated to recover a portion of the City’s fixed costs and its variable costs of providing water service. For single family residential customers the Commodity Charge consists of two tiers which impose higher rates as the level of consumption increases. The tiers are designed to recover the incremental costs to the City of serving more water to those who place higher demands and greater burdens on the City’s water system and resources. For all other customers the Commodity Charge is a uniform rate per CCF of water, depending on when the water is used—winter (October through April) or summer (May through September). The seasonal rates for all other customers are designed to reflect the incrementally higher costs to service these customers during warmer periods of the year, such as the summer months, when their water demand is highest.

**Drought Surcharges.** As noted above, the City is also proposing Drought Surcharges. The Drought Surcharges would be implemented only when it is necessary to safeguard against significant financial losses resulting from greater than projected reductions in water usage by City customers as a result of the current or future water shortage conditions. If implemented, the Drought Surcharges would be in addition to the water service charges described in the tables below and are designed to provide sufficient revenues for the City to continue meeting its expenditures and debt obligations, as well as additional costs that may be incurred, such as additional water supply pumping and conservation program related costs.

The Drought Surcharges are an additional per unit (CCF) charge added to the rates of the Commodity Charge and would be activated by a declared water shortage level pursuant to the City’s Urban Water Management Plan as a result of a drought, a statewide order mandating water use reductions, or other natural disaster or event that results in a water shortage and an unforeseen drop in water demand. The Water Management Plan has five stages of water use reductions and restrictions. These five stages, along with the estimated consumption reductions resulting from additional conservation restrictions implemented at each stage, are as follows:

- Stage 1 – Minimal Irrigation/Outdoor Use – approximately a 10% reduction in water usage**
- Stage 2 – Minimal Irrigation/Outdoor Use – approximately a 20% reduction in water usage**
- Stage 3 – Limited Irrigation/Outdoor Use – approximately a 30% reduction in water usage**
- Stage 4 – Very Limited Irrigation/Outdoor Use – approximately a 40% reduction in water usage**
- Stage 5 – No Irrigation/Outdoor Water Use – approximately a 50% reduction in water usage**

**Proposed Rates**

The current and proposed maximum rates for the City’s Meter Service Charge and Consumption Charge, and the effective dates for the implementation of the rates are shown in the tables below. The Meter Service Charge is the same each month. The Consumption Charge varies each month depending on the number of units (CCF) each customer uses during the prior month.

<b>Current &amp; Proposed Rates for the Monthly Fixed Meter Service Charge (\$/Meter Size)</b>						
<b>Meter Size (in inches)</b>	<b>Current</b>	<b>August 1, 2016</b>	<b>July 1, 2017</b>	<b>July 1, 2018</b>	<b>July 1, 2019</b>	<b>July 1, 2020</b>
5/8"	\$18.94	N/A	N/A	N/A	N/A	N/A
3/4"	22.25	N/A	N/A	N/A	N/A	N/A
1"	29.24	N/A	N/A	N/A	N/A	N/A
1" & less	N/A	\$28.00	\$31.00	\$31.95	\$32.90	\$33.90
1 1/2"	42.17	56.00	62.00	63.90	65.80	67.80
2"	54.49	89.60	99.20	102.24	105.28	108.48
3"	96.36	168.00	186.00	191.70	197.40	203.40
4"	138.53	280.00	310.00	319.50	329.00	339.00
6"	228.20	560.00	620.00	639.00	658.00	678.00
8"	330.87	896.00	992.00	1,022.40	1,052.80	1,084.80
10"	412.91	1,288.00	1,426.00	1,469.70	1,513.40	1,559.40
12"	581.32	1,890.00	2,092.50	2,156.63	2,220.75	2,288.25

<b>Current &amp; Proposed Rates for the Monthly Consumption Charge (\$/CCF)</b>						
<b>Customer Class</b>	<b>Current</b>	<b>August 1, 2016</b>	<b>July 1, 2017</b>	<b>July 1, 2018</b>	<b>July 1, 2019</b>	<b>July 1, 2020</b>
<b>Single Family</b>						
All Usage	\$1.67	N/A	N/A	N/A	N/A	N/A
Tier 1: 0 - 15 CCF	N/A	\$2.00	\$2.23	\$2.31	\$2.39	\$2.47
Tier 2: 15 + CCF	N/A	2.39	2.66	2.76	2.86	2.95
<b>Multi-Family</b>						
All Usage	\$1.67	N/A	N/A	N/A	N/A	N/A
Winter (Oct - Apr)	N/A	\$1.70	\$1.90	\$1.97	\$2.04	\$2.11
Summer (May - Sept)	N/A	1.85	2.07	2.14	2.22	2.30
<b>Non Residential</b>						
All Usage	\$1.67	N/A	N/A	N/A	N/A	N/A
Winter (Oct - Apr)	N/A	\$1.70	\$1.90	\$1.97	\$2.04	\$2.11
Summer (May - Sept)	N/A	1.98	2.21	2.29	2.38	2.46
<b>Irrigation</b>						
All Usage	\$1.67	N/A	N/A	N/A	N/A	N/A
Winter (Oct - Apr)	N/A	\$1.78	\$1.99	\$2.06	\$2.13	\$2.20
Summer (May - Sept)	N/A	2.26	2.53	2.62	2.70	2.79

The proposed maximum rates for the Drought Surcharges that may be added to the rates for the Commodity Charge during a declared water shortage stage on or after August 1, 2016 through June 30, 2017, and July 1 through June 30 of the specified year, are shown in the table below.

<b>Proposed Rates for Drought Surcharges (\$/CCF)</b>					
<b>Customer Class</b>	<b>August 1, 2016</b>	<b>July 1, 2017</b>	<b>July 1, 2018</b>	<b>July 1, 2019</b>	<b>July 1, 2020</b>
<b>Single Family</b>					
Stage 1 (10%)	\$0.23	\$0.27	\$0.28	\$0.29	\$0.30
Stage 2 (20%)	0.53	0.60	0.62	0.64	0.66
Stage 3 (30%)	0.90	1.03	1.07	1.11	1.15
Stage 4 (40%)	1.40	1.60	1.66	1.72	1.78
Stage 5 (50%)	2.10	2.40	2.49	2.58	2.66
<b>Multi-Family</b>					
Stage 1 (10%)	\$0.20	\$0.22	\$0.23	\$0.24	\$0.25
Stage 2 (20%)	0.44	0.50	0.52	0.54	0.56
Stage 3 (30%)	0.76	0.86	0.89	0.92	0.95
Stage 4 (40%)	1.18	1.33	1.38	1.43	1.48
Stage 5 (50%)	1.77	2.00	2.07	2.15	2.23
<b>Non-Residential</b>					
Stage 1 (10%)	\$0.21	\$0.23	\$0.24	\$0.25	\$0.26
Stage 2 (20%)	0.46	0.52	0.54	0.56	0.58
Stage 3 (30%)	0.79	0.90	0.93	0.97	1.00
Stage 4 (40%)	1.23	1.40	1.45	1.50	1.55
Stage 5 (50%)	1.85	2.10	2.18	2.26	2.34
<b>Irrigation</b>					
Stage 1 (10%)	\$0.23	\$0.26	\$0.27	\$0.28	\$0.29
Stage 2 (20%)	0.52	0.59	0.61	0.63	0.65
Stage 3 (30%)	0.90	1.02	1.06	1.10	1.14
Stage 4 (40%)	1.39	1.58	1.64	1.70	1.76
Stage 5 (50%)	2.09	2.38	2.47	2.56	2.65

## Public Hearing and Written Protests

Any record owner of a parcel upon which the water service charges are proposed for imposition, or any tenant who is directly responsible for the payment of water service charges (i.e., a customer of record who is not a property owner) may submit a written protest and/or come to the hearing and provide oral testimony on the proposed rates. Only one protest, however, will be counted per identified parcel. Any protest must: (1) be in writing; (2) state that the identified property owner or utility customer is opposed to the proposed water service charges; (3) provide the location of the identified parcel (by street address, assessor's parcel number, or customer account number); and (4) include the name and signature of the property owner or utility customer submitting the written protest. If the party signing or presenting the protest is not shown as the parcel owner on the last equalized assessment roll or as a customer of record, the protest must contain or be accompanied by written evidence that such party is entitled to submit a protest.

**Written protests may be submitted at the Public Hearing on June 28, 2016, or delivered by mail or in person to the City Clerk at City of Stockton, 425 N. El Dorado Street, Stockton, CA 95202. To be counted, all written protests must be received prior to the close of the Public Hearing.**

**Any written protests previously submitted to the City for the Public Hearing that had been scheduled for May 24, 2016, do not need to be resubmitted but will be accepted and counted as valid written protests for the rescheduled Public Hearing to be held on June 28, 2016.**

At the Public Hearing the City Council will hear public comments and consider the written protests regarding the proposed rates for the water service charges. Verbal comments at the Public Hearing will not qualify as formal protests unless accompanied by a written protest. Upon the conclusion of the Public Hearing, the City Council will consider adoption of the proposed rates as described in this notice. If a majority of the affected property owners and utility customers timely file written protests, the proposed rates may not be imposed.

### Sources for additional information

All materials presented at the meetings of the City Council on the proposed rates, as well as the Draft Comprehensive Water Rate Study report, are posted on the City's web site at [www.stocktonca.gov/water](http://www.stocktonca.gov/water) and are available for review at the Office of the City Clerk, 425 N. El Dorado Street, Stockton, CA 95202.

You may also contact the City of Stockton Municipal Utilities Department by email at [waterfacts@stocktonca.gov](mailto:waterfacts@stocktonca.gov) or call the City's Water Hotline with questions at 1-866-786-5987 (toll-free).

The following public outreach meetings will also be held to discuss the proposed water rates. The dates and times of public outreach meetings are also posted on the City's website at [www.stocktonca.gov/water](http://www.stocktonca.gov/water).

<b>Wednesday, May 18, 2016</b> 6:00pm Arnold Rue Community Center 5857 Lorraine Avenue Stockton, CA 95210	<b>Monday, June 13, 2016</b> 6:00pm Seifert Community Center 128 W. Benjamin Holt Drive Stockton, CA 95207
-----------------------------------------------------------------------------------------------------------------------	------------------------------------------------------------------------------------------------------------------------

Este informe contiene información sobre su cuenta de agua. Es muy importante que entienda el material.  
Para ver la traducción de este informe vaya a la pagina [www.stocktonca.gov/water](http://www.stocktonca.gov/water).