

**SONOMA CITY COUNCIL  
SPECIAL MEETING**

Community Meeting Room, 177 First Street West, Sonoma CA



**Monday, September 29, 2014**

**5:00 p.m.**

\*\*\*\*

**AGENDA**

City Council  
Tom Rouse, Mayor  
David Cook, Mayor Pro Tem  
Steve Barbose  
Ken Brown  
Laurie Gallian

Be Courteous - **TURN OFF** your cell phones and pagers while the meeting is in session.

**1. OPENING**

**CALL TO ORDER & PLEDGE OF ALLEGIANCE**  
**ROLL CALL (Gallian, Barbose, Cook, Brown, Rouse)**

**2. REGULAR CALENDAR – CITY COUNCIL**

*(Matters requiring discussion and/or action by the City Council)*

**Item 2A:** Discussion, consideration and possible action on approving a Proposition 218 Notice to Update City Water Rates and Setting a Date for a Public Hearing.  
Staff Recommendation: Approve the Proposition 218 Public Hearing 45-day Notice and set a date of November 17, 2014 for the Public Hearing.

**Item 2B:** Discussion, Consideration and Possible Action to Adopt Procedures for Establishing and Increasing Fees and Charges Under Proposition 218.  
Staff Recommendation: Adopt A Resolution Adopting Procedures for Establishing and Increasing Fees and Charges Under Proposition 218.

**3. COUNCILMEMBER REPORTS AND COMMENTS**

**4. ADJOURNMENT**

I do hereby certify that a copy of the foregoing agenda was posted on the City Hall bulletin board on September 25, 2014. Gay Johann, Assistant City Manager/City Clerk

*Copies of all staff reports and documents subject to disclosure that relate to any item of business referred to on the agenda are normally available for public inspection the Wednesday before each regularly scheduled meeting at City Hall, located at No. 1 The Plaza, Sonoma CA. Any documents subject to disclosure that are provided to all, or a majority of all, of the members of the City Council regarding any item on this agenda after the agenda has been distributed will be made available for inspection at the City Clerk's office, No. 1 The Plaza, Sonoma CA during regular business hours.*

*If you challenge the action of the City Council in court, you may be limited to raising only those issues you or someone else raised at the public hearing described on the agenda, or in written correspondence delivered to the City Clerk, at or prior to the public hearing.*

*In accordance with the Americans With Disabilities Act, if you need special assistance to participate in this meeting, please contact the City Clerk (707) 933-2216. Notification 48-hours before the meeting will enable the City to make reasonable arrangements to ensure accessibility to this meeting.*



**CITY OF SONOMA**  
**City Council**  
**Agenda Item Summary**

City Council Agenda Item: 2A

Meeting Date: 09/29/14

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**Department**

Public Works

**Staff Contact**

Dan Takasugi, Public Works Director / City Engineer

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**Agenda Item Title**

Discussion, consideration and possible action on approving a Proposition 218 Notice to Update City Water Rates and Setting a Date for a Public Hearing.

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**Summary**

City water rates have not been updated since 2007. A 2012 analysis of water rates showed that the existing rate structure and model were not sustainable in the long term. Two presentations were made to the Council in June 2013 to highlight the challenges faced by the City's water enterprise. At that time, Council gave staff direction to pursue a water rate study update.

The water rate study update process follows the rigid guidelines of the State's Proposition 218 mandates. A Council study session was conducted on August 25, 2014 to present the proposed updated water rates.

At the August 25, 2014 study session, Council directed that more financial incentive be provided to encourage residential conservation at the high use levels. Single Family conservation tiers are proposed go from 3 tier levels to 4 levels. The bottom 2 tiers are to be the same or lower, while the top 2 tiers are to be steepened from the current rates.

Council also directed that some incentive be provided to encourage conservation for Multi-Family and Commercial water accounts. Conservation tiers are proposed for both Multi-Family and Commercial accounts at 3 tier levels. The tiers are proposed to be fairly flat to avoid excessive penalty for those large accounts that may be water efficient, but simply tend to use more water than small accounts. Consideration was given to tracking the type and size of these accounts, and creating unique tiers for each type and size account. However, the administrative effort to track such user information in the rate model was deemed too complex and labor-intensive.

The Fixed Service Charge is proposed to be increased by 35% over 5 years to provide rate stabilization during years of drought and reduced water demand. The volume base charge for water use is proposed to increase by 24%, which will be different for different user classes due to conservation tiers and demand factors. The overall percent increases have not changed from the August 25th Study Session.

Staff recommends that Council authorize the issuance of a Proposition 218 public hearing 45 day notice. On November 17, 2014, staff recommends that Council conduct a Proposition 218 public hearing. Depending upon Council direction at that public hearing, staff would return with a resolution adopting the rate study with a recommendation to adopt the rate changes for implementation.

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**Recommended Council Action**

Approve the Proposition 218 Public Hearing 45-day Notice and set a date of November 17, 2014 for the Public Hearing.

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**Alternative Actions**

Council discretion

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**Financial Impact**

None at this time

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**Environmental Review**

**Status**

- Environmental Impact Report
- Negative Declaration
- Exempt
- Not Applicable

- Approved/Certified
  - No Action Required
  - Action Requested
- 

**Attachments:**

Draft Proposition 218 Notice for the Water Rate Update  
2014 Water Rate Study Update Report

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**Alignment with Council Goals:**

Supports the Council Water and Infrastructure Goal for updating the City's water rate structure and rate model.

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**cc:**

David Spilman, Spilman & Associates via email

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City of Sonoma  
No. 1 The Plaza  
Sonoma, CA 95476

***[MAILING LABEL GOES HERE]***

## **Notice of Public Hearing**

NOTICE IS HEREBY GIVEN, pursuant to Article XIII (D) of the California Constitution that the City of Sonoma is proposing to increase its rates for Water services. The City Council will conduct a public hearing on this matter, which will be held on:

**Date:** Tuesday, November 17, 2014  
**Time:** 6:00 P.M.  
**Place:** City of Sonoma Community Meeting Room  
177 First Street West, Sonoma , CA

The hearing will review the proposed changes for water rates, and other related changes to fees and charges. At the time of the public hearing, the Council will hear and consider all protests and objections concerning these matters. This notice has been sent to all utility customers and property owners, if different, as of the last address available. If there is no majority protest, the Council will consider and may adopt the increased rates by ordinance. The proposed rate changes will become effective after adoption of the resolution and the effective date therein.

This Notice of Public Hearing provides information on the proposed water rate changes as required by State law. The resolution for proposed rate changes is anticipated to be presented to the City Council after the public hearing and the protests to the rate change has been tabulated. This notice also provides information on how the rates are calculated, the reasons for the required rate changes, how customers can receive more information on the effect of the rate changes, and how to file a protest against the proposed rate changes.

# Water Rate Changes Public Hearing November 17, 2014

## Why do the rates need to be changed?

The last water rate study to project and set rates was adopted in December 2007 and water rates have not changed since February 2012. The costs to maintain the water system have increased over the years, in spite of cost reducing measures by the City. The costs of labor, energy, chemicals and compliance with Federal and State regulations for clean water continue to rise. In addition, the Sonoma County Water Agency costs to bring water to Sonoma have increased. The City must also comply with State law requirements for adequate water supply and with financial agreements to maintain adequate reserves and operating revenues over expenses. The City also has a responsibility to the ratepayers to keep the water system efficient and financially sustainable with adequate funding for system replacement and operating reserves.

With the extended drought, conservation tiers for residential accounts need to be adjusted to provide greater incentives to conserve water. In addition, new conservation tiers should be established for multi-family and commercial accounts to encourage conservation.

## What has been done to control costs?

The City has made efforts in the water budget to reduce costs by deferring equipment replacement, extending regular maintenance intervals where appropriate, joining in collaborative compliance actions with other Water Agency contractors, and making greater use of local well water supply. For questions on Water operations or improvements, please contact the Public Works Department at (707) 938-3332.

## How Are the Rate Changes Developed?

A rate study is a formal analysis to determine a fair allocation of costs between residential and non-residential users based on use of the services and impact on the water system. It also accounts for conservation measures and pricing in the residential and non-residential rates and allocates costs to new development to pay its fair share of improvements that benefit development. On August 25<sup>th</sup>, the City Council held a study session to review the findings and recommendations of the 2014 Draft Water Rate Study. The City Council provided direction to staff on various rate options. On September 29<sup>th</sup>, the City Council held a special meeting and public hearing to discuss the rate recommendations and authorized this 45-day public notice for a formal public hearing on the water rate changes on November 17<sup>th</sup>.

## How Do I Protest The Proposed Water Rate Changes?

The City Council has adopted a resolution establishing procedures in accordance with State law on how to protest fee changes, such as, water rates. Customers directly responsible for the payment of the rates and/or property owners, if different, may submit a written protest against the rate changes. If the City receives written protests from a majority of the affected customers and/or property owners of the identified parcels, then the proposed rate changes cannot be adopted by the City Council. It is important to follow these instructions in order for your protest to be valid:

1. The protest must be in writing and received by the City Clerk at or before the close of the public hearing on November 17, 2014. The protest must specifically identify what is being protested. Written protests may be mailed or personally delivered to the City Clerk at City Hall - No.1 The Plaza, Sonoma, CA 95476.
2. All written protests must include the service address and utility account number.
3. The protest must be signed by the person who is listed on the utility account and is responsible for paying the utility bill and/or the property owner. The name of the signer should also be printed legibly. Only one protest will be counted for each account or property.

For more information, please contact the City Clerk at 707-933-2216 or [gjohann@sonomacity.org](mailto:gjohann@sonomacity.org)

# Current and Proposed Water Rate Changes

The following chart shows the changes in proposed rates over the next five years. The first rate increase is proposed to be effective for bills issued after January 1, 2015. Future annual rate increases will be effective each January 1<sup>st</sup>.

<b>Proposed Water Rates</b>		<b>Current Rates</b>	<b>January 1, 2015</b>	<b>January 1, 2016</b>	<b>January 1, 2017</b>	<b>January 1, 2018</b>	<b>January 1, 2019</b>	<b>Annually Beginning January 1, 2020</b>	
<b>Fixed Monthly Service Charge by Meter Size</b>									
<b>Meter Size</b>									
5/8" or 3/4"		15.35	17.10	17.33	19.79	20.28	20.75	<b>All Rates tied to CPI Adjustments</b>	
5/8", 3/4" or 1"		18.42	17.10	17.33	19.79	20.28	20.75		
1 1/2"		24.58	26.09	26.43	30.18	30.94	31.66		
2"		30.72	32.60	33.03	37.72	38.67	39.57		
3"		46.07	48.90	49.55	56.58	58.01	59.35		
4"		76.78	81.50	82.58	94.30	96.68	98.92		
5"		56.57	60.05	60.83	69.47	71.22	72.87		
6"		122.96	130.52	132.24	151.02	154.82	158.41		
<b>Fire Line Meter Size</b>									
2"		5.27	5.87	5.95	6.80	6.97	7.13		
4"		10.53	11.74	11.89	13.58	13.92	14.24		
6"		21.07	23.48	23.78	27.16	27.85	28.49		
8"		31.60	35.22	35.68	40.75	41.77	42.74		
10"		42.13	46.95	47.57	54.32	55.69	56.98		
<b>Water Use Charge for amount of water used in 1,000 gallons per Unit (1,000 = 1 unit)</b>									
<b>Base charge For all Users - Adjusted by Use Factor</b>		<b>5.10</b>	<b>5.23</b>	<b>5.43</b>	<b>5.74</b>	<b>6.07</b>	<b>6.33</b>	<b>All Rates tied to CPI Adjustments</b>	
Residential		1.00	1.00	1.00	1.00	1.00	1.00		
Multi-Family		0.90	0.85	0.80	0.80	0.80	0.80		
Commercial		1.00	1.05	1.10	1.15	1.15	1.15		
Municipal		1.01	1.00	1.00	1.00	1.00	1.00		
Irrigation, Fire & Hydrant		1.32	1.32	1.32	1.32	1.32	1.32		
<b>Residential Conservation Tiers and Rates - Amount of Monthly Water Use in units</b>									
1	1-6	3.59	3.59	3.73	3.94	4.17	4.35		
2	7 - 12	6.11	6.30	6.55	6.91	7.31	7.63		
3	13 - 18	6.11	7.07	7.35	7.76	8.21	8.56		
4	19+	7.63	10.21	10.62	11.22	11.86	12.38		
<b>Multi-Family Conservation Tiers and Rates - Amount of Monthly Water Use in units</b>									
1	1 - 26	4.59	4.13	4.04	4.27	4.52	4.71		
2	27 - 78	4.59	4.71	4.61	4.87	5.15	5.37		
3	79+	4.59	4.96	4.85	5.12	5.42	5.65		
<b>Commercial Conservation Tiers and Rates - Amount of Monthly Water Use in units</b>									
1	1 - 25	5.10	5.21	5.68	6.27	6.63	6.92		
2	26 - 61	5.10	5.49	5.98	6.60	6.98	7.28		
3	62+	5.10	5.99	6.53	7.21	7.63	7.96		
Municipal		5.14	5.23	5.43	5.74	6.07	6.33		
Irrigation		6.73	6.90	7.17	7.57	8.01	8.36		
Fire & Hydrant		6.73	6.90	7.17	7.57	8.01	8.36		
<b>Annual Change in Rates and Extraordinary Costs</b>									
Surcharge for Rate Changes in Wholesale Water	Annual adjustment to Water Use rates for changes in wholesale water costs due to other agency rate changes in excess of projected changes in adopted rate study.								
Outside City Rate	For all accounts outside of the City of Sonoma city limits - 15% added to all Service and Water Use rates listed above.								

## What is the impact to Customers with the added and new conservation tiers?

The following shows a typical customer water use per month for residential, multi-family and commercial. These examples are of average or median current water use in each group per month. None of the examples includes use in the highest conservation tier, which would increase the billing. The actual amounts for each user will vary with different water user during the year and the conservation rate structure. Each "unit" of use is 1,000 gallons of water

Average Use	Proposed Rates					
	Current	2015	2016	2017	2018	2019
<b>Residential - 13 units use</b>	\$ 79.66	\$ 84.34 6%	\$ 87.20 3%	\$ 93.66 7%	\$ 98.40 5%	\$ 102.22 4%
<b>Multi-Family - 12 units at 77 units use</b>	\$ 384.15	\$ 381.76 -1%	\$ 374.73 -2%	\$ 398.74 6%	\$ 420.51 5%	\$ 437.85 4%
<b>Commercial - Restaurant at 61 units use</b>	\$ 335.68	\$ 355.24 6%	\$ 384.82 8%	\$ 425.95 11%	\$ 449.55 6%	\$ 468.30 4%

## Other fees and charges

**Connection Fees** – For January 1, 2015, the current fees are proposed to increase from the 2007 charge by calculating and applying the prior three year average percent increase in Engineering News Record Construction Cost Index for San Francisco Bay area. Future Fees are proposed to change each January by applying the same index.

	Current	Proposed
<b>Front Footage Fee</b>	\$ 49 per Lineal Foot	\$ 60 per Lineal Foot
<b>Capacity Charge</b>	\$ 8,000 per ESD	\$ 9,796 per ESD
<b>Fire Service Only Capacity Charge</b>	\$ 1,798 per excess flow	\$ 2,202 per excess flow

The equivalent single-family dwelling (ESD) values and ratios by different uses and used in calculation of the Capacity Charge are not proposed to be changed as currently adopted in Resolution 46-2007.

The charges for Installation of meters and lateral lines are proposed to change from current fixed and variable fees to variable fees based on actual cost of materials and installation by the City.

Fees for replacement of broken meter boxes and related damages are proposed to be variable fees based on actual cost of materials and installation by the City.

Fees and penalties for billing delinquencies and turn offs for non-payment are set in the specified in the City of Sonoma Fee Schedule.

All other fees and charges are proposed to remain the same as currently adopted in Resolution 46-2007.

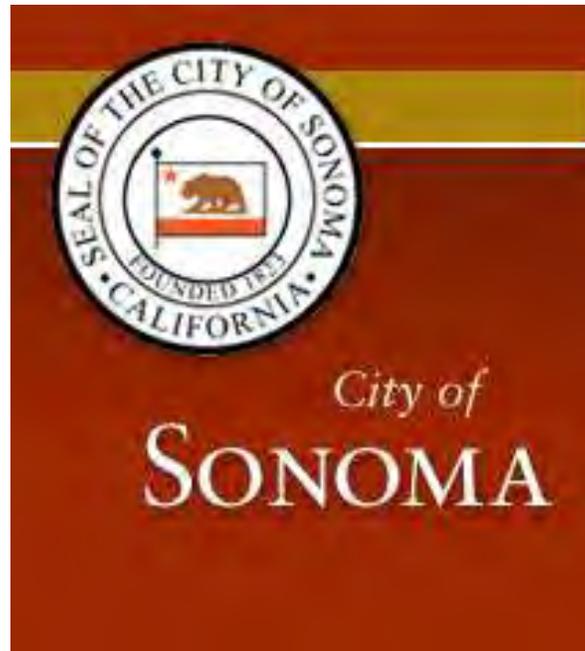
## Proposed future rate changes allowed under State Law

The water rates can be adjusted annually after January 1, 2020 in accordance with State law using the San Francisco Bay Area Consumer Price Index (CPI). It is anticipated that this annual adjustment would keep the rates in line with operating costs. Any annual CPI adjustment would be set by a resolution adopted by the City Council after a noticed public hearing on the rate adjustments.

Rates can also be changed to pass through increases in wholesale charges for water purchased from third-party agencies, such as the Sonoma County Water Agency, in accordance with State Government Code section 53756.

## How can I find out more about the proposed rate changes?

The 2014 Water Rate Study can be read at [www.sonomacity.org](http://www.sonomacity.org) or copies are available at City Hall. To find out how the proposed rates will affect your bill, you can call Utility Billing at 707-933-2237



# **City of Sonoma**

## **2014 Draft Water Rate Study**

**September 2014**



**SPILMAN & Associates**  
**Municipal Consulting Services**

# City of Sonoma 2014 Draft Water Rate Study

## City Council

Tom Rouse, Mayor

David Cook, Mayor Pro Tem

Steve Barbose, Councilmember

Ken Brown, Councilmember

Laurie Gallian, Councilmember

## City Staff

Carol Giovanatto, City Manager

DeAnna Hilbrants, Finance Director

Dan Takasugi, Public Works Director/City Engineer

## Rate Study Consultant



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# 2014 Draft Water Rate Study

## Analysis and Projections of Water System Costs, Improvements and Revenue Needs For Fiscal Years 2014-15 through 2018-19

### Summary

In December 2007, the City of Sonoma adopted Resolution 46-2007 which implemented the water rate recommendations of the 2007 Connection Charge and Rate Study by John Olaf Nelson Water Resources Management (Nelson). The last rate change under this resolution was effective February 1, 2012.

In 2010, a 2010 Water Supply Plan and Water Rate and Connection Charge Study was completed by Nelson and provided the City with a comprehensive water system review and strategies for water supply conservation and management. The 2010 study also recommended rate changes to FY 17-18 to fund projected operations, recommended capital improvements, conservation and water supply programs, and debt issue to fund improvements.

In 2012, an update to the 2010 Study was provided by Nelson with revised and alternative recommended rate changes. Public notices were sent to the property owners and tenants for a formal public hearing to consider the water rate changes. After a presentation by City staff and comments from the public, the City Council voted not to implement the recommended rate changes.

In the summer of 2013, the Public Works Director presented an overview of the water system to the City Council and the current issues with water supply, conservation programs, capital improvement needs and ongoing operations. The Director recommended that an updated water rate study be developed to focus on operations and capital improvement financial projections over the next five years assuming greater drought and conservation impacts. In addition, to also provide a review of the conservation tier rate structure for the current residential accounts and develop an application to multi-family and commercial accounts.

37

## 38 **Water Rate Study Review Process**

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40 Over the last several months, city financial and water use data has been analyzed and  
41 worksheets developed to generate the necessary tables for a rate study. Several  
42 meetings have been held with staff to discuss the findings and develop options for  
43 recommended rate structure and rate changes.

44

45 The 2014 Water Rate Study is designed with a financial approach to implement multi-  
46 year changes to the existing water rates to fund operations, capital improvements, debt  
47 and maintain an adequate operating reserves and required debt ratio coverage. In  
48 addition, it is designed to develop options for enhancing the existing residential  
49 conservation rate tiers and establishing new multi-family and commercial conservation  
50 rate tiers.

51

52 Water rate studies are often complicated and controversial. The different elements that  
53 are needed to meet best practices and industry standards in a rate study can be difficult  
54 for staff, policy makers and the community to understand. The challenge is to simplify  
55 and summarize all of that complexity in the rate study without distortion or loss of  
56 meaning.

57

58 The goal is to provide a water rate study that is both simple to understand and yet  
59 complex enough to fairly and equitably allocate the costs of the water system to the  
60 users. It is further complicated in addressing sources of supply, conservation of  
61 resources, repair and maintenance of the equipment and infrastructure. Another factor  
62 is to provide financial stability in the revenues to operate the water system and keep the  
63 rates charged to the ratepayers as low as possible and annual increases to a minimum.  
64 There are also other requirements to comply with State Law in allocating costs and the  
65 process to review in public meetings and adopted.

66

67 On August 25, 2014, summary charts from the 2014 Draft Rate Study were presented to  
68 the City Council at a special study session. The presentation addressed the following:

69

- 70 • Financial objectives of the rate study,
- 71 • Assumptions use to project water use and costs
- 72 • Reviewed several charts on projected costs and water use

- 73 • Reviewed charts on recommended Service and Use charges
- 74 • Provided examples of the rate changes to different users
- 75 • Addressed Single Family, Multi-Family and Commercial Conservation rate
- 76 incentives

77 **Review of the Nelson 2010 Water Rate Study and 2012 update**

78

79 The Nelson rate studies in 2010 and update in 2012 were reviewed and used to  
80 understand the current rates structure and a perspective on projecting rate increases.  
81 The overall project approach was to use the 2010 Nelson Water Rate Study data, as  
82 needed, to generate a current and more accurate projection of rate increases needed to  
83 meet the financial objectives.

84

85 Certain water use and financial assumptions in the Nelson rate studies are no longer  
86 valid for projected in water use, capital improvements or operations. Actual Operating  
87 costs have been reduced. The scope, costs and implementation schedule of projected  
88 capital improvement projects have been revised. In addition, due to the current and  
89 projected drought conditions, the Sonoma County Water Agency has developed different  
90 approaches to future improvements and delivery of water to the participating agencies.

91

92 In addition, the City Council has expressed an desire to review the conservation  
93 incentives in programs and the rate tier structure to encourage reduced water use of all  
94 water users.

95

96 **Financial Objectives and Assumptions**

97

98 The financial objectives for the 2014 Water Rate Study are:

- 99 • Use a Finance Approach for rates and financial stability
- 100 • Uses the 2007 adopted, 2010 considered and 2012 update Water Rate studies for basic
- 101 structure
- 102 • Determine a fair and equitable allocation of water system costs to ratepayers
- 103 • Comply with State law in review and adoption
- 104 • Address concerns on:
  - 105 ▪ Conservation rate incentives for all major users – residential, Multi-family and
  - 106 Commercial
  - 107 ▪ Allocation of costs to various users
  - 108 ▪ Sources of supply - wells
  - 109 ▪ Maintenance and replacement of water system
- 110 • Recommend Adjustments to:

- 111           ▪ Insure greater financial stability in rates, operating reserves and needed
- 112           replacement
- 113           ▪ Provide funding of Capital Improvements to maintain water system with through
- 114           new developments, financing and grants
- 115           ▪ Reallocate costs to different user groups based on updated use of water system
- 116           ▪ Improve conservation rate incentive for Single Family residential with additional
- 117           tier structure
- 118           ▪ Create conservation rate incentives for Multi-Family and Commercial

119

120   The general assumptions used in the 2014 Water Rate Study are:

121

- 122           • Five-year period from FY14-15 to FY 18-19, with future annual CPI adjustments
- 123           • Projected:
  - 124               ▪ Operating costs at 3% to 3.5%
  - 125               ▪ Sonoma County Water Agency (SCWA) costs at 4%
  - 126               ▪ An updated Capital Improvement Schedule & Costs recommended by Public
  - 127               Works Director
  - 128               ▪ Overall water use declining by 8% due to conservation
- 129           • Current rate structures remain the same with certain exceptions to realign cost
- 130           allocations
- 131           • Single Family Residential conservation rate structure adjusted to improve incentives
- 132           • Addition of conservation rates for Multi-Family and Commercial

133

134

### 135   **2014 Water Rate Study Recommendations**

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137

138   The recommended rates are projected to provide for funding of operations, capital  
139   improvements, debt service, debt reserves and available working capital over the next  
140   five years. Additional funding sources for capital improvements will come from current  
141   working capital, connection fees and a \$2 million debt issue.

142

143   The projections are based on current assumptions of cost increases, conservation use  
144   and minimal development projections. Over the next five years, a positive operating  
145   cash flow, a 25% operating reserve, required debt reserve and compliance with the debt  
146   ratio requirements under current financing agreements are projected. Additional details  
147   to the summary recommendations below can be found in **Table A** of the rates for each  
148   type of user and the recommended conservation tiers and rates. **Table B** provides a  
149   summary of the water system revenues and expenses.

150

151   In summary, the recommendations of the 2014 Water Rate Study are:

152

- 153 • Monthly service charges based on meter size increase by \$5.40 per month in five
- 154 years for typical residential meter
- 155 • Water use charges increase by 24% or \$1.23 per 1,000 gallons of water use in
- 156 five years to cover projected cost increases.
- 157 • Added Single Family 4<sup>th</sup> Conservation Tier and adjusted conservation rates
- 158 higher to encourage conservation
- 159 • Created a new Multi-family and Commercial three tier conservation rate structure
- 160 • Range of annual base rate increases:
  - 161 ▪ Fixed Service Charge – 2.3% to 14.2%
  - 162 ▪ Water Use Base Charge – 2.5% to 5.8%
- 163 • Range of annual monthly bills to typical single family – 3% to 7% for average of
- 164 5.4% per year
- 165 • Increase in new, changed or expanded development one-time connection fees
- 166 by 22% to catch up in construction cost increases since 2007 and annual
- 167 adjustments to keep up with cost increases
- 168 • And provides for annual service and volume rate adjustments from January 1,
- 169 2020 based on San Francisco Bay area Consumer Price Index percent change
- 170

171 Below is a summary of the recommended changes in the monthly service charges based  
 172 on the account meter size. The 5/8, 3/4 and 1 inch meters are typical of residential  
 173 accounts:

174

175

Service Charge by Meter Size	Current	Proposed				
	FY 13-14	FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19
<b>5/8" &amp; 3/4" Meter</b>	\$ 15.35	\$ 17.10 11%	\$ 17.33 1%	\$ 19.79 14%	\$ 20.28 3%	\$ 20.75 2%
<b>1" Meter</b>	\$ 18.42	\$ 17.10 -7%	\$ 17.33 1%	\$ 19.79 14%	\$ 20.28 3%	\$ 20.75 2%
<b>All Other Meter Sizes and Fire Line meters</b>		11.4%	1.3%	14.2%	2.5%	2.3%

176

177 Below is a summary of the recommended changes to the Single Family residential  
 178 accounts. The current Tier 2 has been split to create a four tier conservation rate  
 179 structure. This will allow for a greater range of rates to enhance conservation. The  
 180 increases in the rates for Tiers 1 and 2 have been are lower and Tiers 3 and 4 are  
 181 higher.

Use Charge by Water Use	Current	Proposed				
	FY 13-14	FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19
<b>Base Rate per Thousand Gallons (Kg)</b>	\$ 5.10	\$ 5.23 2%	\$ 5.43 4%	\$ 5.74 6%	\$ 6.07 6%	\$ 6.33 4%

**Single Family With Added Conservation Tier**

Tier 1 - 1 - 6 Kg	\$3.59	\$ 3.59	\$ 3.73	\$ 3.94	\$ 4.17	\$ 4.35
		0%	4%	6%	6%	4%
Tier 2 - 7 - 12 Kg	\$6.11	\$ 6.30	\$ 6.55	\$ 6.91	\$ 7.31	\$ 7.63
		3%	4%	6%	6%	4%
Tier 3 - 13 - 18 Kg	\$6.11	\$ 7.07	\$ 7.35	\$ 7.76	\$ 8.21	\$ 8.56
		16%	4%	6%	6%	4%
Tier 4 - 19 + Kg	\$7.63	\$ 10.21	\$ 10.62	\$ 11.22	\$ 11.86	\$ 12.38
		34%	4%	6%	6%	4%

182

183 A new Multi-Family conservation rate tier structure has been developed to encourage  
184 conservation. It is also recommended to lower the use factor to reflect the impact of  
185 multi-family users to the water system

Use Charge by Water Use	Current	Proposed				
	FY 13-14	FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19

**Multi-Family**

Use Factor	0.90	0.85	0.80	0.80	0.80	0.80
Multi-Family Rate	\$ 4.59	\$ 4.44	\$ 4.35	\$ 4.59	\$ 4.86	\$ 5.07
		-3%	-2%	6%	6%	4%
Tier 1 - 1 - 26 Kg	\$ 4.59	\$ 4.13	\$ 4.04	\$ 4.27	\$ 4.52	\$ 4.71
		-10%	-2%	6%	6%	4%
Tier 2 - 27 - 78 Kg	\$ 4.59	\$ 4.71	\$ 4.61	\$ 4.87	\$ 5.15	\$ 5.37
		3%	-2%	6%	6%	4%
Tier 3 - 79 + Kg	\$ 4.59	\$ 4.96	\$ 4.85	\$ 5.12	\$ 5.42	\$ 5.65
		8%	-2%	6%	6%	4%

186

187 A new Commercial conservation rate tier structure has been developed to encourage  
188 conservation. It is also recommended to increase the use factor to reflect the impact of  
189 commercial users to the water system.

190

Use Charge by Water Use	Current	Proposed				
	FY 13-14	FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19

**Commercial**

Use Factor	1.00	1.05	1.10	1.15	1.15	1.15
Commercial Rate	\$ 5.10	\$ 5.49	\$ 5.98	\$ 6.60	\$ 6.98	\$ 7.28
		8%	9%	10%	6%	4%
Tier 1 - 1 - 25 Kg	\$ 5.10	\$ 5.21	\$ 5.68	\$ 6.27	\$ 6.63	\$ 6.92
		2%	9%	10%	6%	4%
Tier 2 - 26 - 61 Kg	\$ 5.10	\$ 5.49	\$ 5.98	\$ 6.60	\$ 6.98	\$ 7.28
		8%	9%	10%	6%	4%
Tier 3 - 62 + Kg	\$ 5.10	\$ 5.99	\$ 6.53	\$ 7.21	\$ 7.63	\$ 7.96
		18%	9%	10%	6%	4%

191

192 The rates for Municipal, Irrigation and Fire line/Hydrant users are based on the changes  
193 in the Base Water Use Rate.

194

195 **2014 Water Rate Study Process to Adopt and Implement Rate Changes**

196

197 State law mandates how changes to rates and fees must be reviewed, public notice  
198 information on the changes, timing of the hearings and changes and how the City  
199 Council can adopt the changes. The City Council will consider adopting procedures to  
200 implement the State law.

201

202 On August 25, 2013, the City Council held a public workshop to consider options and  
203 provided direction to staff on the recommendations and options presented.

204

205 A City Council public hearing was set for August 29, 2014 to review the changes to the  
206 Draft, hear public comments, consider the recommendations and authorize issuance of a  
207 public notice mailed to all utility bill customers and property owners for a formal public  
208 hearing. The public notice for a formal public hearing on the recommended rate  
209 changes can be held no sooner than 45 days from the public notice mailing. The public  
210 notices are scheduled to be mailed by October 3<sup>rd</sup> and the public hearing to be held on  
211 November 17, 2014.

212

213 The 2014 Draft Water Rate Study will be made available for public review during the 45-  
214 day notice period.

215

216 Proposition 218 requires the City to comply with substantive and procedural  
217 requirements in section 6 of Article XIID of the California Constitution for imposing or  
218 increasing fees on any parcel of property or person as an incident of property ownership.  
219 These procedures apply to utility rate increases. The City Council will consider a  
220 resolution of the procedures for establishing and increasing fees and charges under  
221 Proposition 218.

222

223

## Water System Sources and Users

224

225

226 The City's water sources are from the Sonoma County Water Agency (SCWA) Aqueduct  
227 and wells. The City's water system is a complex system of gravity, pumps, pipes and  
228 tanks to distribute water to residences and businesses.

229

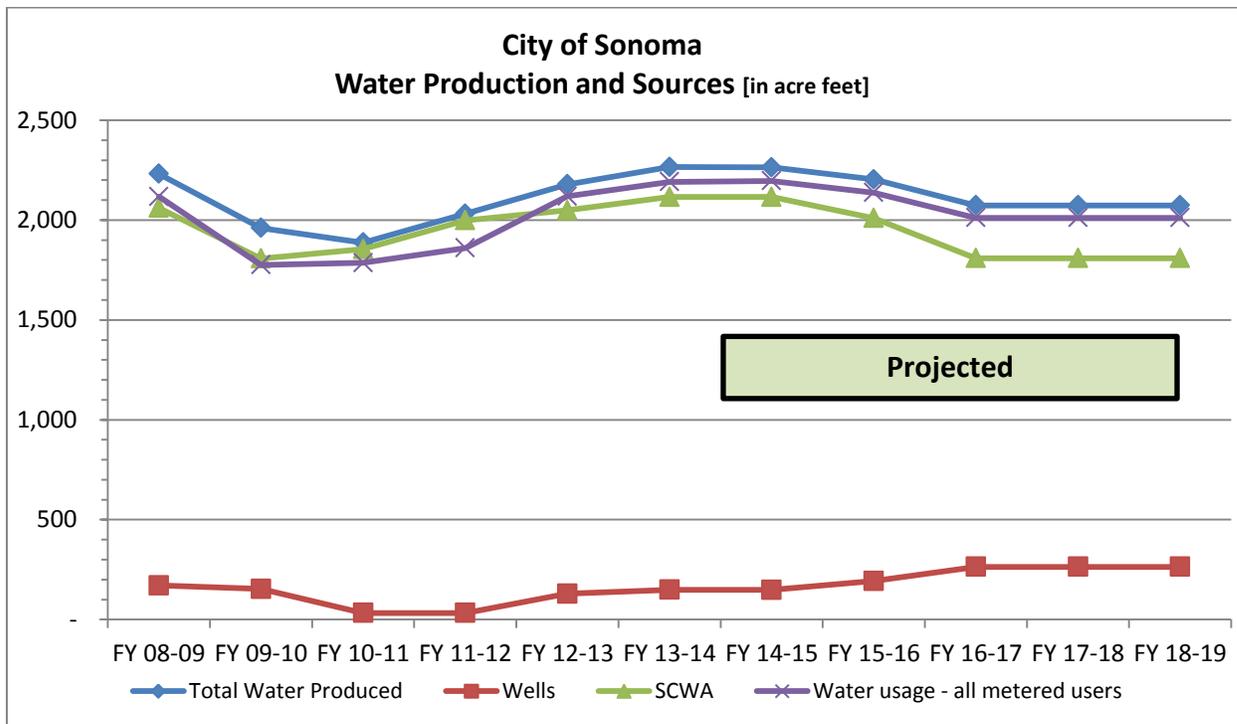
230 The method of measuring water production is in acre-feet of water. The method of  
231 measured water use through water meters is by 1,000 gallons (referred to as 1 unit of  
232 water). Below is a chart that shows the equivalents to these different methods of  
233 measurement that will be used throughout this rate study.

43,560 square feet is one acre  
325,829 gallons in volume one acre one foot deep  
892.7 gallons per day over 1 year in volume

234

235 Due to the drought and increased conservation, overall water production is projected to  
236 decrease by 8% over the next three years with a projected annual water savings of 192  
237 acre feet or 62.6 million gallons. Below is a graph showing the water production over the  
238 last several years and projections over the next five years to FY 18-19:

239



240

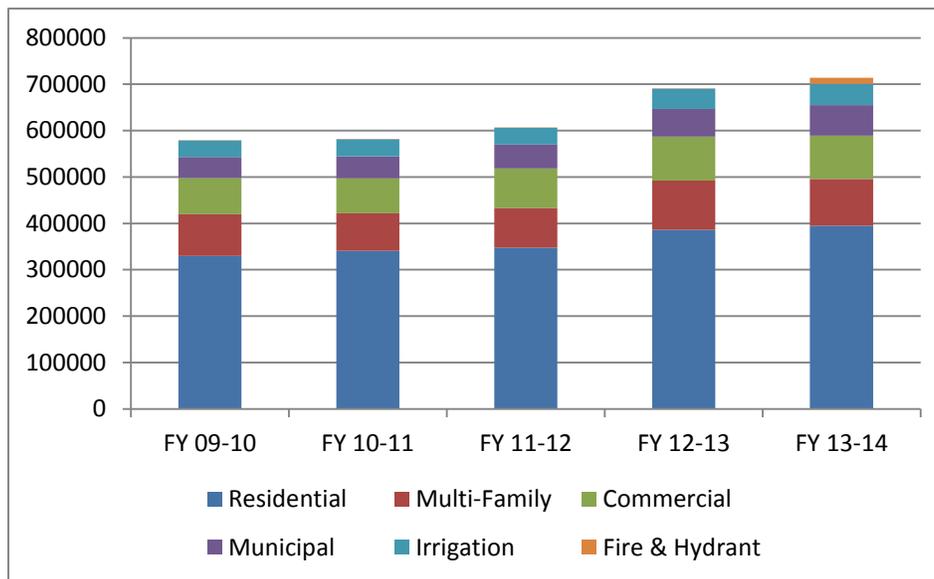
241

242 Water from SCWA is projected to decrease by 15% over the next three years to 1,809  
243 acre feet. The City existing wells and new well are projected to increase production by  
244 77% to 264 acre feet.

245

246 **How the water is used**

247 The user data for the 2014 Rate Study was updated from utility billing actual use over  
248 the last several years. The total water use by all water users has been increasing over  
249 the last three years in most all user types. Below is a chart showing the comparisons  
250 over the last five years.



251

252 The total active water accounts as of June 2014 are 4,206 connections through various  
253 sizes of water meters. The size of water meter reflects the type of use and the  
254 calculated demand for water. A typical residential account has a 5/8", 3/4" or 1" meter.  
255 Public Works has set the future standard for residential accounts as a 1" meter. Below  
256 is a summary chart showing the different types of accounts and meter sizes.

User # and Type	Total Accounts	Total Users per Accounts	Accounts by Meter Size							Total
			5/8, 3/4, 1	1.5	2	3	4	6		
2,12 Residential	3,475	3,491	3,448	21	5	1	0	0	3,475	
6,16 Multi-Family	276	2,030	232	28	12	4	0	0	276	
1,11 Commercial	303	711	226	40	33	3	0	1	303	
5,15 Municipal	69	153	41	0	16	7	4	1	69	
3,13 Irrigation	83	83	47	15	18	2	1	0	83	
<b>Total</b>	<b>4,206</b>	<b>6,468</b>	<b>3,994</b>	<b>104</b>	<b>84</b>	<b>17</b>	<b>5</b>	<b>2</b>	<b>4,206</b>	

Fire Line Meter Sizes		1.5 & 2	4	6	8	10	Hyd	Total		
11,4,14	Fire Line & Hydrant	144	144	9	57	47	14	4	13	144

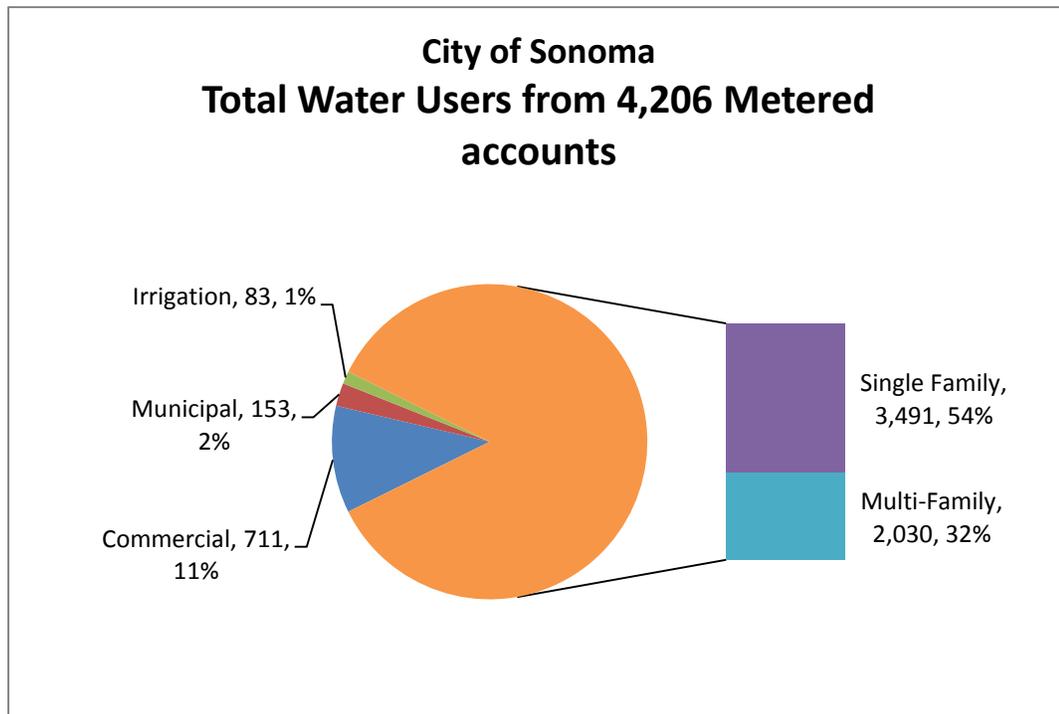
257

258 The number of users per each metered account reflects the additional multi-family living  
 259 units or commercial units. Below is a chart similar to the chart above that shows the  
 260 number of users per each metered account by meter size.  
 261

User # and Type	Total Accounts	Total Users per Accounts	Users by Meter Size						
			5/8, 3/4, 1	1.5	2	3	4	6	Total
2,12 Residential	3,475	3,491	3,464	21	5	1	-	-	3,491
6,16 Multi-Family	276	2,030	1,706	206	88	29	-	-	2,030
1,11 Commercial	303	711	530	94	77	7	-	2	711
5,15 Municipal	69	153	91	-	35	16	9	2	153
3,13 Irrigation	83	83	47	15	18	2	1	-	83
<b>Total</b>	<b>4,206</b>	<b>6,468</b>	<b>5,838</b>	<b>336</b>	<b>224</b>	<b>55</b>	<b>10</b>	<b>5</b>	<b>6,468</b>

262

263 Total users, in addition to meter accounts, is a better reflection of the use of the water  
 264 and demands on the water system for calculations of meter capacity (see **Table 8**) and  
 265 use ratios (see **Table 6**). Below are charts that show the different users of the water  
 266 system and the use of water:



267

268

269 Single and Multi-family residential users are 86% of the total users in of the water  
 270 system and use 71% of the water. Commercial users, which include mobile home parks,

271 make up the next largest user category at 13%. Below is chart that shows the last three  
272 years and distribution of water use.

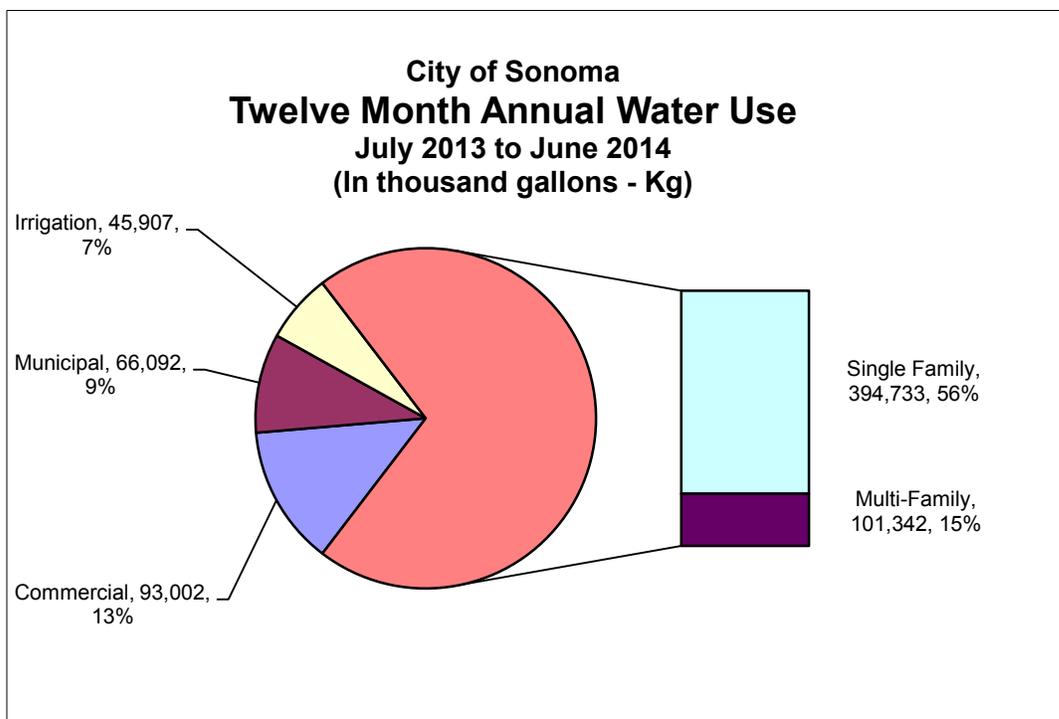
	FY 11-12	FY 12-13	FY 13-14	% Change from prior year	% of Total
Residential	347,878	385,643	394,733	2%	56%
Multi-Family	85,387	106,400	101,342	-5%	14%
Commercial	84,926	94,881	93,002	-2%	13%
Municipal	51,380	59,501	66,092	11%	9%
Irrigation	36,458	43,926	45,907	5%	7%
<b>Total</b>	<b>606,029</b>	<b>690,351</b>	<b>701,076</b>		<b>100%</b>
<b>Annual % change</b>	<b>4.2%</b>	<b>13.9%</b>	<b>1.6%</b>		

Fire & Hydrant	36	35	13,093
----------------	----	----	--------

273

274 The Fire lines and Hydrant meters and use are separated from the other users for FY  
275 13-14 due to the high use in that year. Including this amount in the rate calculations for  
276 the other users would distort the results in this rate study. The Fire and Hydrant rates  
277 will use the Irrigation rates similar to the current rate structure.

278



279

280

281 In FY 13-14, an average single family residence used 113,072 gallons per year. The  
282 water use by all accounts and users for was 701 million gallons, excluding unusual Fire  
283 line and Hydrant use. The usage by type and users can be used to determine the use or  
284 demand of the water system, which has been used in the past to allocate the costs to  
285 those users based on their demand on the water system.

286

287 The largest user group is Single Family residential and typically is fixed as the standard  
 288 for the use ratio calculations. The uses of all other user groups are a ratio of use to  
 289 Residential. The use of the actual calculated ratios is not appropriate due to anomalies  
 290 and comparability in the actual type and definition of users. However, it is an good  
 291 indicator of impact to the system by the different user groups. Another consideration is  
 292 not changing the ratios too dramatically between user groups, which may cause  
 293 unintended impacts to the groups and stability of the rate structure.

294

295 It is recommended that the use ratios be adjusted from the current ratios by lowering the  
 296 Multi-Family from .9 to .8 and increasing the Commercial from 1.0 to 1.15. The  
 297 Municipal and Irrigation ratios are recommended to remain the same as current. The  
 298 recommended changes are also recommended to be applied over the two to three years  
 299 to keep the rate changes more stable. In addition, as discussed below, the  
 300 recommended new conservation tiers for Multi-family and Commercial will also have an  
 301 impact to the rates to those user groups.

302

	FY 13-14	Total Users per Accounts	Average Annual Use in Kg	Current Use Ratios	Proposed Use Ratios
Residential	394,733	3491	113	1.00	1.00
Multi-Family	101,342	2030	50	0.90	0.80
Commercial	93,002	711	131	1.00	1.15
Municipal	66,092	153	432	1.01	1.00
Irrigation	45,907	83	553	1.32	1.32
<b>Total</b>	<b>701,076</b>	<b>6,468</b>			

303

304

305 **Projected Growth in water system use**

306

307 There is minimal growth projections assumed in this rate study. The projection is for  
 308 less than 10 equivalent single family dwelling units (ESD) per year over the next five  
 309 years. This is reflected in the projection of connection fee revenues. Due to the low  
 310 development projection, no additional water use is projected for rate calculations. This is  
 311 a very conservative development and financial stability approach, which will reduce any  
 312 negative impacts of development delays to the projected revenues and rates. The  
 313 recommended rates are not based on anticipated new development. This insures that  
 314 the user rates are set at an adequate level to allow for variations in growth, and still  
 315 provide necessary revenues to operate the water system.

316

317 There are currently planned, and unplanned, residential and commercial developments  
318 over the next five years. As the developments are considered, approved and completed,  
319 the impact to the water system will mainly be the ability to serve and, with the  
320 recommended change in the connection fees, new development will contribute a greater  
321 portion of the cost to improve the water system and provide water service.

322

323

324

325

## **Current and Projected Water System Costs**

326

### **Sources and Uses – Cash flow**

327

328

The recommended rates, connection fees are projected to provide for adequate funding

329

of operations, capital improvements, debt service, operating and rate stability reserves,

330

required debt reserves and maintain available working capital to FY 18-19, based on

331

current assumptions and conservative minimal growth projections. The projection of

332

cash flow more than meets the debt ratio requirements under various financing

333

agreements. Below is a summary of the projections:

334

Water Sources & Uses	Current	Proposed				
	FY 13-14	FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19
<b>Revenues</b>						
From Rates	4,652,044	4,621,558	4,753,044	4,889,586	5,136,984	5,336,464
Connections	160,831	100,000	100,000	100,000	100,000	100,000
Grants & Loans	179,238	295,000	2,000,000	-	-	-
Other	81,437	82,500	82,500	82,500	82,500	82,500
<b>Total Sources</b>	<b>5,073,550</b>	<b>5,099,058</b>	<b>6,935,544</b>	<b>5,072,086</b>	<b>5,319,484</b>	<b>5,518,964</b>
% Rate Revenue Change		-1%	3%	3%	5%	4%
		1%	36%	-27%	5%	4%
<b>Expenditures</b>						
Net Operations	4,125,969	4,273,796	4,328,868	4,301,011	4,442,569	4,589,153
Improvements	791,234	2,502,000	2,135,350	1,020,000	470,000	1,470,000
Debt Payments	262,057	121,085	123,648	258,905	261,272	261,292
<b>Total Uses</b>	<b>5,179,260</b>	<b>6,896,881</b>	<b>6,587,866</b>	<b>5,579,916</b>	<b>5,173,841</b>	<b>6,320,445</b>
% Operations change		4%	1%	-1%	3%	3%
		33%	-4%	-15%	-7%	22%
<b>Ending Balance</b>	<b>6,698,496</b>	<b>4,900,672</b>	<b>5,248,350</b>	<b>4,740,520</b>	<b>4,886,162</b>	<b>4,084,681</b>
Reserves	1,357,970	1,857,083	2,021,792	2,028,482	2,088,611	2,145,205
Working Capital	5,340,525	3,043,590	3,226,559	2,712,038	2,797,552	1,939,476
<b>Debt Ratio</b>	<b>2.3</b>	<b>3.6</b>	<b>4.1</b>	<b>2.6</b>	<b>3.0</b>	<b>3.2</b>

335

336

See **Table B**, for a more detailed overview of cash flow projections. The operating

337

expenses are projected to increase by 10% from FY 14-15 to FY 18-19. Operating costs

338

were reviewed and labor increases were projected at 3% annually over the next five

339

years. Services and supply costs are projected at 3.5% per year and the Sonoma

340

County Water Agency costs at 4% per year. See **Tables 1** through **4** for a more detailed

341

review of projected water system revenues from rates, operating costs, debt payments

342

and capital improvement projects.

343

344 A major cost to the water operations is the purchase of water from the Sonoma County  
345 Water Agency (SCWA). The projected annual SCWA wholesale rate increase is 4%  
346 based on current information and projections from the SCWA. The actual rates will likely  
347 be different and, with the continuing drought conditions, increase at a greater rate.  
348 Instead of projecting a higher annual rate increase for SCWA that would increase  
349 recommended rates to the rate payers, it is recommended to use Government Code  
350 Section 53756 that allows for changes in the wholesale water costs to be pass through  
351 to the rate payers on an annual basis and in a simpler manner than a rate change  
352 process.

353

354 The Debt payments include a projected new debt issue of \$2 million in FY 15-16 to fund  
355 the capital improvement projects. This new issue will increase the annual debt  
356 payments by an estimated \$138,000 (see **Table 3** for more information). The actual  
357 issuance of the debt will be reviewed at the appropriate time by city staff and considered  
358 by the City Council in a separate action. Past financing agreements have been made  
359 with Private bond holders to borrow funds for capital improvements and repay the loans  
360 from rates. These agreements require the City to maintain a minimum level of reserves  
361 and revenues with rates sufficient to operate the system and repay the debt (also known  
362 as “debt coverage” or “debt ratio”). The recommended rates will provide revenues that  
363 meet or exceed the required minimum debt ratio of 1.2 for the financing agreements on  
364 an average of 3.28 over the next five years.

365

366 During the next five years, along with miscellaneous repair and maintenance  
367 improvements to the water system, there are \$7.6 million in capital improvements that  
368 will be needed for water mains, service lines, wells and other improvements (see Table 4  
369 for more details).

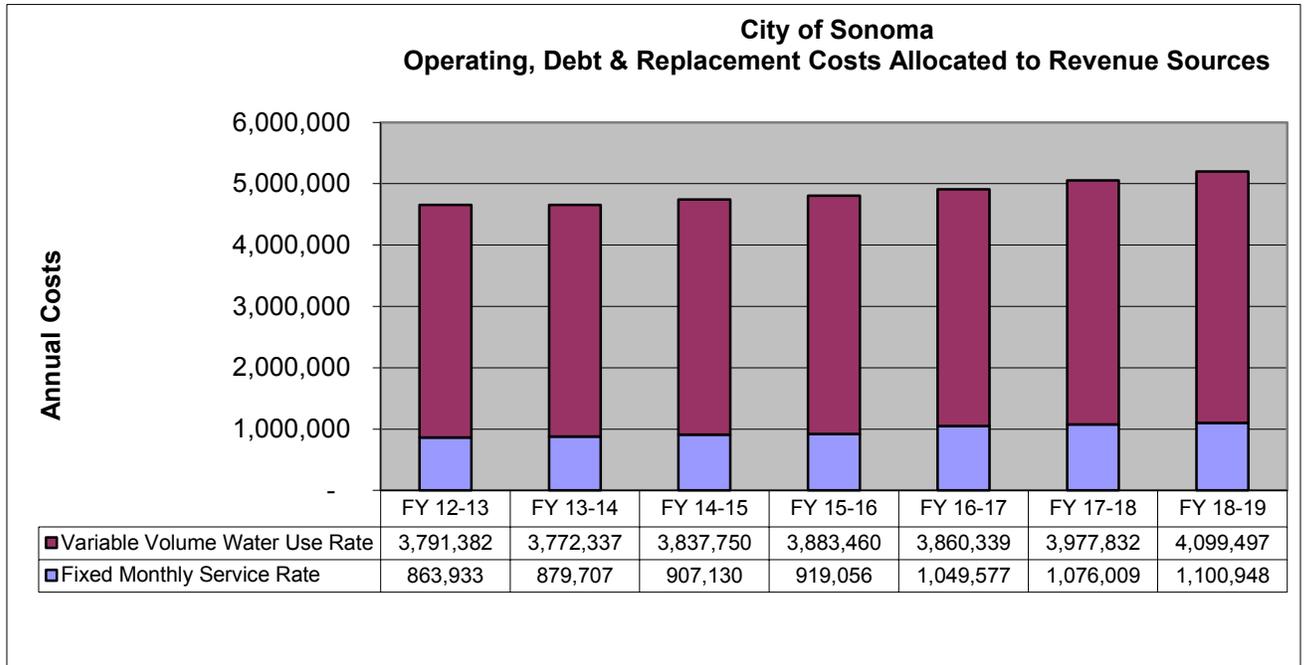
370

### 371 **Allocation of Costs between Fixed and Volume Rates**

372

373 **Table 10** shows the allocation of costs between the fixed monthly service charge and  
374 the volume charge by the amount of water used. Portions of the operating costs are  
375 funded from other sources, such as interest earnings, sale of property and other  
376 revenues. The remaining portions of operating costs are then allocated between fixed  
377 and volume charges. The graph below shows where the rate revenues come from to  
378 pay for the water system costs. In general, an estimated 20% of the costs are funded  
379 from the monthly service charge and 80% from use charges.

380



381

382

383 A fixed monthly Service Charge, based on meter size, is a typical type of fixed rate that  
 384 is applied to all accounts. It is used to insure that a stable amount of revenue is  
 385 generated regardless of the amount of water that is actually used. This revenue is used  
 386 to pay for various fixed costs, such as debt payments, insurance and contractually  
 387 required payments. In addition, the revenues are used to maintain a minimum level of  
 388 maintenance and operations to ensure that the water system is operational at all times  
 389 for fire protection and customer use. See **Table 11** for details on the Service Charge  
 390 rates.

391

392 The annual cost of the water system related to fixed costs, described above, is  
 393 estimated at 20%. The fixed monthly service charge is based on the meter size and the  
 394 base rate is calculated on the standard 5/8", 3/4" or 1" residential meter. The rates for  
 395 larger meters are calculated as ratio of the meter capacity relating to the residential  
 396 meters. The current ratios continue to be applied to the recommended rates. The Fire  
 397 Line meters are considered standby meter accounts and are charge a reduced monthly  
 398 service charge.

399

400 The remaining 80% of allocated costs are to be recovered from volume charges based  
 401 on the amount of water used. These costs are divided by the projected amount of water  
 402 used during the year to create a base rate per 1,000 thousand gallons of water used.

403 The Base rate is further adjusted for each of the user groups by and use factor and  
404 conservation rate tier structures. See **Table 12** for details on the User Charge rates.  
405  
406

## **Recommended Rates and Charges**

407

408 The costs of the Water system are funded from several sources. Below is a summary  
409 matrix of the types of costs and typical funding sources.

Costs	Revenues			
	Ratepayers	Connection Fees To New Development	Grants	Loans
Operations	X			
Capital Improvements	X	X	X	X
Loan Payments	X	X		
Working Capital	X	X		
Reserves	X	X		

410

411 **Table A** details the proposed rate changes for all types of users over the next five years to  
412 January 2019. As discussed above, the water rates have two different types of charges. A flat  
413 monthly Service Charge is based on the size of the water meter and type of user. A variable  
414 volume charge per 1,000 gallons of water used is modified by the use factor for different user  
415 groups. In order to promote water conservation, single-family, multi-family and commercial  
416 users have conservation tiers a rate structure to encourage conservation.

417

418 The increases in the rates will average around 6% for the fixed charges and 5% for volume  
419 charges annually over the next five years. The impact of the volume or use rate changes will be  
420 based on the amount of water used by each type of user.

421

422 **Table 11** details the Service Charge calculation for each of the next five years to January 2019.  
423 The calculations of the rates are based on the meter size. Each of the annual calculations  
424 starts with the net amount needed to be recovered from fixed costs from **Table 10**.

425

426 **Table 12** details the variable volume or use charge calculation based on the projected water  
427 use over the next five years to January 2019. This is a simpler calculation that is based on the  
428 total costs to be recovered from variable volume charges divided by the total projected use from  
429 all users. The volume rate is then applied to the projected water use by each type of user.  
430 Each of the annual calculations starts with the net amount needed to be recovered from variable  
431 costs from **Table 10** and applies a rate stabilization adjustment, as needed, to smooth out the  
432 annual rate changes and still meet the cash flow needs of the water system. The variations in  
433 applying the use factor to the base rate generates a small additional amount the estimated  
434 revenues generated from the rates and is used to smooth out the revenue estimates. A  
435 summary of the recommended rate changes is included in the Summary section of this study.

436

437 **Single Family Conservation Tiers**

438 As discussed above, a conservation three tier rate structure is currently applied to all single-  
439 family users. These types of conservation tiers and rates are typical in many water agencies.

440  
441 One of the objectives of the City Council is to increase the use of water conservation by  
442 changing the tier rates and or structure. Three options were developed and reviewed with the  
443 City Council at the August 25, 2014 study session. Two of the options maintained the three tier  
444 structure and made changes in the rates for each tier. The last option split Tier 2 and created a  
445 four tier structure, which allowed for greater flexibility in applying conservation rate incentives  
446 with lower rate increases in first two tiers and higher increases in the last two tiers. At the  
447 August 25<sup>th</sup> study session, the City Council directed staff to revise the options with increased  
448 conservation incentives.

449  
450 Below is a summary of the users and water use in each of the current and recommended tiers:  
451

Current Conservation Tiers			
	Units per Mth	Accounts	Water Use in Units
Tier 1	0 to 6	1,449 42%	66,612 17%
Tier 2	7 to 18	1,747 50%	233,517 59%
Tier 3	19+	279 8%	94,595 24%
<b>Totals</b>		<b>3,475</b>	<b>394,724</b>

Recommended Conservation Tiers			
	Units per Mth	Accounts	Water Use in Units
Tier 1	0 to 6	1,449 42%	66,612 17%
Tier 2	7 to 12	1,267 37%	145,336 37%
Tier 3	13 to 18	480 14%	88,181 22%
Tier 4	19+	279 8%	94,595 24%
<b>Totals</b>		<b>3,475</b>	<b>394,724</b>

452  
453 It is recommended to split the current Tier 2 to provide more flexibility in applying conservation  
454 rates and improving the incentive to conserve water. **Table 13** shows how the current annual  
455 water use for Single Family residential accounts applies to each of the current conservation  
456 tiers. In addition, three options were developed to maintain or improve conservation.

457  
458 **Option A** – This option maintains the current three tier structure and increases the  
459 current rates in each tier by 7%. This increase is greater than the base user rate increase for FY  
460 14-15 of 2.5% due need to keep the average of all conservation rates very close to the base  
461 rate. The current rates average 4.1% less than the current base rate, which needs to be  
462 corrected. This option does not improve the current conservation structure or enhance  
463 incentives.

464

465 **Option B** – This option also keeps the three tier structure, but increases rates in each  
 466 tier different to improve conservation incentives. The Tier 1 rate is increased only 2.5%, the  
 467 same as the base user rate is recommended to increase in FY 14-15. The Tier 2 rate is  
 468 increased 7.6% and Tier 3 increased by 18.6%.

469

470 **Option C** – This recommended option splits the current Tier 2 and creates a four tier  
 471 structure. The Tier 1 rate has a zero increase from the current rate. The Tier 2 rate is  
 472 increased by 3.1%. Both of these tiers include 78% of the residential accounts and 54% of the  
 473 water used. Tier 3 has a rate increase of 15.6% and Tier 4 rate increase is 33.9%. Both of  
 474 these tiers include 22% of the residential accounts and 46% of the water use. The  
 475 recommendation for four tiers is to provide greater flexibility in applying conservation rates that  
 476 better separates the accounts with the highest water use. Below is a summary of this  
 477 recommended rate structure and the first year rate changes.

478

<b>Recommended Four Tier Conservation Rates</b>						
	<b>Current Range</b>	<b>Current Rate</b>		<b>Proposed Range</b>	<b>Proposed Rate</b>	<b>% Change</b>
<b>Base Rate</b>		<b>5.10</b>			<b>5.23</b>	<b>2.5%</b>
<b>Tier 1</b>	<b>0 to 6</b>	<b>3.59</b>	<b>Tier 1</b>	<b>0 to 6</b>	<b>3.59</b>	<b>0%</b>
		70%			69%	
<b>Tier 2</b>	<b>7 to 18</b>	<b>6.11</b>	<b>Tier 2</b>	<b>7 to 12</b>	<b>6.30</b>	<b>3%</b>
		120%			120%	
			<b>Tier 3</b>	<b>13 to 18</b>	<b>7.07</b>	<b>16%</b>
					135%	
<b>Tier 3</b>	<b>19+</b>	<b>7.63</b>	<b>Tier 4</b>	<b>19+</b>	<b>10.21</b>	<b>34%</b>
		150%			195%	

479

480 The conservation rate tier structure applies the rates in “waterfall” method for the water used in  
 481 each tier. For example in the recommended four tier structure, if a residential account uses 15  
 482 units of water during the month, the first 6 units are charged at the Tier 1 rate of \$3.59 per unit,  
 483 the next 6 units of water is charged the Tier 2 rate of \$6.30 per unit and the last 3 units are  
 484 charged the Tier 3 rate of \$7.07 per unit. This means that all residential accounts being  
 485 charged for water used in each tier and as they increase the water use and spill over to the next  
 486 tier, they pay a higher rate for the water used.

487

488 Because of the higher rates in Tiers 3 and 4, an analysis was done to project the effect of the  
 489 rates on water conservation and identify the potential revenue reduction. For example, if water  
 490 use in these tiers were reduced by 20% or 14.6 million gallons, then the net annual revenue  
 491 reduction is estimated at 2% of all use revenue or \$88,000. However, the base rates for water

492 use are projected over the next three years with an overall reduction in water use of 8% or 57  
493 million gallons, so the impact of significant residential conservation to the revenues is mitigated  
494 by a conservative projection of water use.

495

496 Below are examples of the recommended Single Family residential Conservation Tiers

497

Single Family example of average monthly water bill - both Service Charge and Use Charge							
	Current Rates	FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19	5 yr %
<b>Low use</b>	\$ 49.11	\$ 51.24	\$ 52.81	\$ 57.27	\$ 59.93	\$ 62.11	
8 units per month		4%	3%	8%	5%	4%	26%
<b>Mid Use</b>	\$ 79.66	\$ 83.49	\$ 86.35	\$ 92.68	\$ 97.40	\$101.20	
13 Units per month		5%	3%	7%	5%	4%	27%
<b>High Use</b>	\$133.10	\$149.47	\$154.94	\$165.12	\$174.03	\$181.13	
21 Units per month		12%	4%	7%	5%	4%	36%

498

499 The percentages below each of the totals are the effective increase of both the Service and Use  
500 rate changes and the average water used with the recommended conservation tiers. The  
501 percentage at the end of the row is the cumulative percent change in the example bills. These  
502 percentages will vary with the water use each month.

503

### 504 Multi-Family and Commercial Conservation Tiers

505 Single Family residential water use is 56% of the total annual use and is currently the only user  
506 group that with a conservation rate tier structure.

507

508 Multi-family and Commercial accounts make up 27% of the total water use. They both have  
509 typical single use rates. Because of the different sizes of multi-family accounts and the wide  
510 differences in types of uses for commercial accounts, typical residential conservation tier  
511 structures are difficult to apply unless they are modified or differentiated by more distinct user  
512 categories. These type of modifications generally require additional administrative effort and  
513 customized billing software that is difficult to support. However, many agencies are  
514 implementing conservation tiers that are broader and more gradual in rate differences that are  
515 not modified or differentiated by apartment units or type of commercial use.

516

517 In discussions with City staff, conservation rate tier structures have been developed using the  
518 similar methodology as in the residential tiers. In a general review of the accounts, it appears

519 that the different tiers for multi-family or commercial should provide an incentive for conservation  
520 and not be overly burdensome. However, after the first year of the conservation tiers, the  
521 accounts should be reviewed to identify issues and develop possible adjustments that may be  
522 needed.

523

524 Below are summaries of the recommended conservation tiers for Multi-family and Commercial  
525 accounts. **Table 14** has more details and analysis of these conservation tiers.

526

<b>Multi-Family Conservation Tiers</b>				
	<b>Units per Mth</b>	<b>Accounts</b>	<b>Units</b>	<b>Water Use in Units</b>
<b>Tier 1</b>	0 to 26	199 42%	496 17%	26,069 17%
<b>Tier 2</b>	27 to 78	50 50%	428 59%	25,701 59%
<b>Tier 3</b>	79+	27 8%	1,106 24%	49,572 24%
<b>Totals</b>		<b>276</b>	<b>2,030</b>	<b>101,342</b>

527

528

<b>Commercial Conservation Tiers</b>			
	<b>Units per Mth</b>	<b>Accounts</b>	<b>Water Use in Units</b>
<b>Tier 1</b>	0 to 25		231 0%
			23,101 0%
<b>Tier 2</b>	26 to 61		48 0%
			23,625 0%
<b>Tier 3</b>	62+		24 0%
			46,276 0%
<b>Totals</b>			<b>303</b>
			<b>93,002</b>

529

530 An analysis was also done to project the effect of the rates on water conservation and identify  
531 the potential revenue reduction. For example, if water use in these tiers were reduced by 20%  
532 or 9 million gallons, then the net annual revenue reduction is estimated at \$27,000. Again, the  
533 potential revenue loss for conservation combined with an estimated residential loss would less  
534 than 5% of the total revenues over the five year period and should not have a significant impact  
535 the financial stability of the water system.

536

537 Below are examples of the recommended Multi-family and Commercial conservation tiers  
538 applied to various sizes and types of accounts. See **Table 15** for more details.

539

**Multi -Family example of average monthly water bill - both Service Charge and Use Charge**

	Current Rates	FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19	5 yr %
<b>Very Low use 2 units</b>	\$ 75.02	\$ 70.81	\$ 69.87	\$ 75.29	\$ 78.99	\$ 82.00	
13 units per month		-6%	-1%	8%	5%	4%	9%
<b>Low Use 8 units</b>	\$ 139.33	\$ 129.37	\$ 127.49	\$ 136.91	\$ 143.85	\$ 149.44	
25 Units per month		-7%	-1%	7%	5%	4%	7%
<b>Mid Use 12 units</b>	\$ 384.15	\$ 380.15	\$ 373.10	\$ 396.89	\$ 418.61	\$ 435.90	
77 Units per month		-1%	-2%	6%	5%	4%	13%
<b>High Use 30 units</b>	\$ 967.24	\$1,008.82	\$ 989.93	\$1,052.60	\$1,110.40	\$1,156.39	
194 Units per month		4%	-2%	6%	5%	4%	20%
<b>Very High Use 100 units</b>	\$1,133.90	\$1,189.38	\$1,165.48	\$1,235.17	\$1,304.76	\$1,359.91	
237 Units per month		5%	-2%	6%	6%	4%	20%

540

541

**Commercial example of average monthly water bill - both Service Charge and Use Charge**

	Current Rates	FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19	5 yr %
<b>Very Low use Dentist Office</b>	\$ 40.85	\$ 43.17	\$ 45.71	\$ 51.13	\$ 53.44	\$ 55.34	
5 units per month		6%	6%	12%	5%	4%	35%
<b>Low Use Gas Station</b>	\$ 145.92	\$ 147.42	\$ 159.27	\$ 176.51	\$ 186.07	\$ 193.70	
25 Units per month		1%	8%	11%	5%	4%	33%
<b>Mid Use Restaurant</b>	\$ 335.68	\$ 353.95	\$ 383.52	\$ 424.46	\$ 448.03	\$ 466.75	
61 Units per month		5%	8%	11%	6%	4%	39%
<b>High Use Visitor Accommodation</b>	\$1,173.12	\$1,337.63	\$1,454.39	\$1,607.11	\$1,698.83	\$1,771.37	
224 Units per month		14%	9%	11%	6%	4%	51%

542

**543 Connection Charges**

544

545 The connection charges are a combination of several charges – Front footage, Meter  
 546 and Lateral Installation, Fire Service only and a Capacity charge. The methodology of  
 547 calculating and charging any of the fees to new development or a change or expansion  
 548 of existing development is set by Resolution 46-2007. The charges were last set in the  
 549 2007 Nelson Connection Charges and Rate Study and based on capital project costs as  
 550 of July 2007. The charges have not been adjusted since they were effective in February  
 551 2008. The 2007 Study also recommended that the fees be adjusted annually based on  
 552 the standard Engineering News Record Construction Cost Index percent change for the

553 San Francisco Bay area averaged over a three year period. This recommendation was  
554 not implemented in Resolution 46-2007

555

556 In this rate study, it is recommended to adjust the amount for each charge by the  
557 increase in the construction cost index of price increases since July 2007. The  
558 methodology of setting the charge amount or applying the charges, as defined in  
559 Resolution 46-2007 is not recommended to be adjusted at this time.

560

561 The Engineering News Record Construction Cost Index from July 2007 to July 2014  
562 increased by 22.45% for the San Francisco Bay area. It is recommended that the  
563 following fees be increased effective January 1, 2015.

564

	Current Rates	FY 14-15
--	---------------	----------

Front Footage Charge	\$ 49	\$ 60
Capacity Charge	\$ 8,000	\$ 9,796
Fire Service only Capacity Charge	\$ 1,798	\$ 2,202

565

566 In addition, the Meter and Lateral Installation charges are proposed to be determined by  
567 the City Engineer for each installation based on the cost of meter, materials, labor and  
568 equipment for meter installation by City and a 20% administration charge.

569

570 It is also recommend that the above connection fees by adjusted each January based  
571 on the previous July to July Engineering New Record Construction Cost Index for the  
572 San Francisco Bay area change on a rolling prior three year average. This annual  
573 adjustment is common to insure that the connection charges are adequate to provide the  
574 increased construction costs. Please see **Table 16** for details on the recommended  
575 changes.

576

577

578 **Annual Change in Rates and Extraordinary Costs**

579

580 Similar to the annual percentage change in the Connection Fee, it is proposed that all of  
581 the rates be adjusted annually after January 1, 2020 by the Consumer Price Index (CPI).

582 This annual change should keep the rates in line with operating costs changes. The  
583 applicable CPI would be the San Francisco-Oakland-San Jose region, which is a  
584 standardized index calculated by the Department of Labor Bureau of Labor Statistics  
585 and focused on costs in the Bay area. The process for the annual adjustments are set

586 by State law (Government Code section 53756) and require the City Council adopted  
587 resolution after a noticed public hearing on the rate adjustments.

588

589 In addition, as provided for in same State law, it is recommended establish a wholesale costs  
590 pass through provision. If the rates for the Sonoma County Water Agency wholesale water  
591 change greater than projected in **Table 2**, then those additional costs are reviewed and, if  
592 necessary, all or a portion of the costs can be passed through in an adjustment to the next  
593 volume charge rate increase. Any adjustments will be set by a City Council adopted resolution  
594 after a noticed public hearing.

595

**Summary of Proposed Rate Changes**

**Table A**

**Current Rates**

FY 14-15 January 1, 2015	FY 15-16 January 1, 2016	FY 16-17 January 1, 2017	FY 17-18 January 1, 2018	FY 18-19 January 1, 2019	Annually Beginning January 1, 2020
--------------------------------	--------------------------------	--------------------------------	--------------------------------	--------------------------------	--

**Fixed Monthly Service Charge**

Meter Size	Meter Ratios	All Users	11.4%	1.3%	14.2%	2.5%	2.3%	All Rates tied to CPI Adjustments
5/8" or 3/4"	1.00	\$15.35	\$ 17.10	\$ 17.33	\$ 19.79	\$ 20.28	\$ 20.75	
5/8", 3/4" or 1"	1.00	\$18.42	\$ 17.10	\$ 17.33	\$ 19.79	\$ 20.28	\$ 20.75	
1 1/2"	1.53	\$24.58	\$ 26.09	\$ 26.43	\$ 30.18	\$ 30.94	\$ 31.66	
2"	1.91	\$30.72	\$ 32.60	\$ 33.03	\$ 37.72	\$ 38.67	\$ 39.57	
3"	2.86	\$46.07	\$ 48.90	\$ 49.55	\$ 56.58	\$ 58.01	\$ 59.35	
4"	4.77	\$76.78	\$ 81.50	\$ 82.58	\$ 94.30	\$ 96.68	\$ 98.92	
5"	3.51	\$56.57	\$ 60.05	\$ 60.83	\$ 69.47	\$ 71.22	\$ 72.87	
6"	7.63	\$ 122.96	\$ 130.52	\$ 132.24	\$ 151.02	\$ 154.82	\$ 158.41	
<b>Fire Line (17% of Meter Service Charge)</b>								
2"	17%	\$ 5.27	\$ 5.87	\$ 5.95	\$ 6.80	\$ 6.97	\$ 7.13	
4"	14%	\$ 10.53	\$ 11.74	\$ 11.89	\$ 13.58	\$ 13.92	\$ 14.24	
6"	17%	\$ 21.07	\$ 23.48	\$ 23.78	\$ 27.16	\$ 27.85	\$ 28.49	
8"		\$ 31.60	\$ 35.22	\$ 35.68	\$ 40.75	\$ 41.77	\$ 42.74	
10"		\$ 42.13	\$ 46.95	\$ 47.57	\$ 54.32	\$ 55.69	\$ 56.98	

**Volume Charge for amount of water used**  
(Charge is per Thousand Gallons (Kg) of water)

<b>Base charge For all Users</b>	<b>\$ 5.10</b>	2.5%	4.0%	5.6%	5.8%	4.3%	All Rates tied to CPI Adjustments
		\$ 5.23	\$ 5.43	\$ 5.74	\$ 6.07	\$ 6.33	

**Residential - Base Conservation Tiers and Rates**

Amount of Monthly Water Use in Thousand Gallons (Kg)	Current Tier Rates	+/- % of Base Rate	Ratio to First Tier	New Tiers	+/- % of Base Rate	Recommendation						
Current Tiers Monthly Use						0.0%	4.0%	5.6%	5.8%	4.3%		
1	1 - 6 Kg	\$3.59	-30%	1.000	1	1 - 6 Kg	-31%	\$ 3.59	\$ 3.73	\$ 3.94	\$ 4.17	\$ 4.35
2	7 - 18 Kg	\$6.11	20%	1.702	2	7 - 12 Kg	21%	\$ 6.30	\$ 6.55	\$ 6.91	\$ 7.31	\$ 7.63
					3	13 - 18 Kg	35%	\$ 7.07	\$ 7.35	\$ 7.76	\$ 8.21	\$ 8.56
3	19+ Kg	\$7.63	50%	2.125	4	19+ Kg	95%	\$ 10.21	\$ 10.62	\$ 11.22	\$ 11.86	\$ 12.38

**Multi-Family**

<b>Base Rate adjusted by Use Factor</b>	<b>0.90</b>	\$	<b>4.59</b>								
		\$	<b>4.59</b>	1	1 - 26 Kg	-7%	\$ 4.13	\$ 4.04	\$ 4.27	\$ 4.52	\$ 4.71
		\$	<b>4.59</b>	2	27 - 78 Kg	6%	\$ 4.71	\$ 4.61	\$ 4.87	\$ 5.15	\$ 5.37
		\$	<b>4.59</b>	3	79+ Kg	12%	\$ 4.96	\$ 4.85	\$ 5.12	\$ 5.42	\$ 5.65

**Commercial**

<b>Base Rate adjusted by Use Factor</b>	<b>1.00</b>	\$	<b>5.10</b>								
		\$	<b>5.10</b>	1	1 - 25 Kg	-5%	\$ 5.21	\$ 5.68	\$ 6.27	\$ 6.63	\$ 6.92
		\$	<b>5.10</b>	2	26 - 61 Kg	0%	\$ 5.49	\$ 5.98	\$ 6.60	\$ 6.98	\$ 7.28
		\$	<b>5.10</b>	3	62+ Kg	9%	\$ 5.99	\$ 6.53	\$ 7.21	\$ 7.63	\$ 7.96

**Municipal**

<b>Base Rate adjusted by Use Factor</b>	<b>1.01</b>	\$	<b>5.14</b>							
		\$	<b>5.14</b>							

**Irrigation Fire & Hydrant**

	1.32	\$	<b>6.73</b>							
	1.32	\$	<b>6.73</b>							

**Summary of Proposed Rate Changes**

**Table A**

**Current Rates**

FY 14-15 January 1, 2015	FY 15-16 January 1, 2016	FY 16-17 January 1, 2017	FY 17-18 January 1, 2018	FY 18-19 January 1, 2019	Annually Beginning January 1, 2020
--------------------------------	--------------------------------	--------------------------------	--------------------------------	--------------------------------	--

**Annual Change in Rates and Extraordinary Costs**

**Surcharge for Rate Changes in Wholesale Water** Annual adjustment to volume charge for changes in wholesale water costs due to other agency rate changes in excess of projected changes in adopted rate study and in accordance with State Government code Section 53756.

**Outside City Rate** 15% of added to charge rates listed above.

**Connection Fees**

	Current Rates	FY 14-15 January 1, 2015	FY 15-16 January 1, 2016	FY 16-17 January 1, 2017	FY 17-18 January 1, 2018	FY 18-19 January 1, 2019	Annually Beginning January 1, 2020
Front Footage Charge	\$ 49	\$ 60	[1]	[1]	[1]	[1]	[1]
Capacity Charge	\$ 8,000	\$ 9,796	[1]	[1]	[1]	[1]	[1]
Fire Service only Capacity Charge	\$ 1,798	\$ 2,202	[1]	[1]	[1]	[1]	[1]
<b>Meter and Lateral Installation Charges</b>							
1" Meter	\$ 511	<div data-bbox="857 793 1552 898" data-label="Text"> <p>The Charges are proposed to be determined by the City Engineer for each installation based on the cost of meter, materials, labor and equipment for meter installation by City and a 20% administration charge.</p> </div>					
1.5" Meter	\$ 715						
2" Meter	\$ 944						
3" and above - regular & compound	Varies						

[1] Actual percent change will be calculated each year from the July to July index change on a rolling prior three year average Engineering New Record Construction Cost Index for the San Francisco Bay area.

## Water Sources and Uses Summary

Table B

	Rate Study Period							
	Actual	Actual	Prel Actual	Budget	Projected	Projected	Projected	Projected
	FY 11-12	FY 12-13	FY 13-14	FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19
<b>Annual User Generated Total Revenue</b>								
<b>Revenues</b>								
Charges for Services	3,811,913	4,655,315	4,652,044	4,621,558	4,753,044	4,889,586	5,136,984	5,336,464
Connection Fees	523,360	119,133	160,831	100,000	100,000	100,000	100,000	100,000
Interest Earnings	51,836	22,998	45,000	45,000	45,000	45,000	45,000	45,000
Grants From Other Agencies			179,238	295,000				
Debt & Lease Proceeds					2,000,000			
Other Revenues	158,974	30,016	36,437	37,500	37,500	37,500	37,500	37,500
<b>Total Revenues</b>	<b>4,546,083</b>	<b>4,827,462</b>	<b>5,073,550</b>	<b>5,099,058</b>	<b>6,935,544</b>	<b>5,072,086</b>	<b>5,319,484</b>	<b>5,518,964</b>
				-0.5%	-26.5%	36.7%	-4.7%	-3.6%
<b>Expenses</b>								
Personnel	909,089	1,229,207	1,117,870	1,092,452	1,125,226	1,158,982	1,193,752	1,229,564
Services & Supplies	556,401	511,306	516,870	619,340	641,017	663,452	686,673	710,707
Water Conservation	49,387	27,471	18,443	100,000	103,500	107,123	110,872	114,752
Purchased Water	1,492,709	1,649,044	1,635,500	1,665,621	1,645,633	1,540,313	1,601,925	1,666,002
Support Services and Transfers	654,149	667,515	837,286	796,383	813,492	831,141	849,347	868,127
Depreciation	349,287	354,523	353,550	353,550	353,550	353,550	353,550	353,550
<b>Total Operating Expenses</b>	<b>4,011,022</b>	<b>4,439,066</b>	<b>4,479,519</b>	<b>4,627,346</b>	<b>4,682,418</b>	<b>4,654,561</b>	<b>4,796,119</b>	<b>4,942,703</b>
<b>Net Operating Income &amp; Other Sources</b>	<b>535,061</b>	<b>388,396</b>	<b>594,031</b>	<b>471,712</b>	<b>2,253,126</b>	<b>417,525</b>	<b>523,365</b>	<b>576,261</b>
				3.3%	1.2%	-0.6%	3.0%	3.1%
<b>Capital Improvements</b>								
Water Mains	30,775	446,356	595,171	1,230,300	1,243,650	-	-	-
Service Lines	-	-	123,263	646,000	520,000	320,000	320,000	470,000
Tanks, Pumps, Wells & Other	-	-	72,800	590,700	171,700	300,000	100,000	1,000,000
Special Studies & Projects	-	-	-	35,000	200,000	400,000	50,000	-
<b>Total Capital Improvements</b>	<b>30,775</b>	<b>446,356</b>	<b>791,234</b>	<b>2,502,000</b>	<b>2,135,350</b>	<b>1,020,000</b>	<b>470,000</b>	<b>1,470,000</b>
<b>Debt Payments</b>	<b>142,090</b>	<b>138,028</b>	<b>262,057</b>	<b>121,085</b>	<b>123,648</b>	<b>258,905</b>	<b>261,272</b>	<b>261,292</b>
<b>Total Debt and Capital Expenses</b>	<b>172,865</b>	<b>584,384</b>	<b>1,053,291</b>	<b>2,623,085</b>	<b>2,258,998</b>	<b>1,278,905</b>	<b>731,272</b>	<b>1,731,292</b>
<b>Net Surplus/(Deficit)</b>	<b>362,196</b>	<b>(195,988)</b>	<b>(459,260)</b>	<b>(2,151,373)</b>	<b>(5,872)</b>	<b>(861,380)</b>	<b>(207,908)</b>	<b>(1,155,031)</b>
<b>Net Other Adjustments/Transfers</b>	<b>607,047</b>	<b>539,634</b>	<b>353,550</b>	<b>353,550</b>	<b>353,550</b>	<b>353,550</b>	<b>353,550</b>	<b>353,550</b>
<b>Beginning Working Capital</b>	<b>5,491,317</b>	<b>6,460,560</b>	<b>6,804,206</b>	<b>6,698,496</b>	<b>4,900,672</b>	<b>5,248,350</b>	<b>4,740,520</b>	<b>4,886,162</b>
<b>Ending Working Capital</b>	<b>6,460,560</b>	<b>6,804,206</b>	<b>6,698,496</b>	<b>4,900,672</b>	<b>5,248,350</b>	<b>4,740,520</b>	<b>4,886,162</b>	<b>4,084,681</b>
<b>Working Capital Allocation</b>								
Operating Reserve (25% of Expenditures)	25% 915,434	25% 1,021,136	25% 1,031,492	25% 1,068,449	25% 1,082,217	25% 1,075,253	25% 1,110,642	25% 1,147,288
Rate Stabilization Reserve to 10% of Rate Revenue	-	-	-	462,156	475,304	488,959	513,698	533,646
Capital Reserve for Future Projects	179,168	185,178	185,178	185,178	185,178	185,178	185,178	185,178
Debt Reserve - Highest Year	141,300	141,300	141,300	141,300	279,092	279,092	279,092	279,092
Operating & Capital Contingency	5,224,658	5,456,592	5,340,525	3,043,590	3,226,559	2,712,038	2,797,552	1,939,476
<b>Working Capital Allocation</b>	<b>6,460,560</b>	<b>6,804,206</b>	<b>6,698,496</b>	<b>4,900,672</b>	<b>5,248,350</b>	<b>4,740,520</b>	<b>4,886,162</b>	<b>4,084,681</b>
<b>Debt Ratio Coverage - 1.2 or 20% surplus revenues</b>								
All Revenues	4,546,083	4,827,462	5,073,550	5,099,058	6,935,544	5,072,086	5,319,484	5,518,964
Less Connection fees, Grants & Debt proceeds	(523,360)	(119,133)	(340,069)	(395,000)	(2,100,000)	(100,000)	(100,000)	(100,000)
Less Net Operating Expenses (Less Depreciation)	(3,661,735)	(4,084,543)	(4,125,969)	(4,273,796)	(4,328,868)	(4,301,011)	(4,442,569)	(4,589,153)
<b>Net Available for Debt Service - Net Operating Revenues less Net Operating Expenses</b>	<b>360,988</b>	<b>623,786</b>	<b>607,512</b>	<b>430,262</b>	<b>506,676</b>	<b>671,075</b>	<b>776,915</b>	<b>829,811</b>
Debt Service - Principal & Interest	142,090	138,028	262,057	121,085	123,648	258,905	261,272	261,292
Debt Service Coverage as ratio to Net Available	2.54	4.52	2.32	3.55	4.10	2.59	2.97	3.18
FiveYear Average						3.28		

**Revenues from Rates**

**Table 1**

	Budget FY 14-15	Projected FY 15-16	Projected FY 16-17	Projected FY 17-18	Projected FY 18-19
<b>Service Charges</b>					
Residential	717,139	726,567	829,752	850,648	870,364
Multi-Family	64,191	65,035	74,271	76,141	77,906
Commercial	76,547	77,553	88,567	90,797	92,902
Municipal	25,038	25,367	28,970	29,699	30,388
Irrigation	24,215	24,534	28,018	28,723	29,389
Fire & Hydrant	30,046	30,441	34,764	35,640	36,466
<b>Services Charges</b>	<b>937,176</b>	<b>949,497</b>	<b>1,084,341</b>	<b>1,111,649</b>	<b>1,137,414</b>
		1.3%	14.2%	2.5%	2.3%
<b>Use Charges</b>					
Residential	2,061,805	2,130,235	2,117,217	2,239,674	2,336,328
Multi-Family	450,171	437,526	434,852	460,003	479,855
Commercial	510,329	552,089	573,657	606,836	633,024
Municipal	345,396	356,675	354,496	374,999	391,182
Irrigation	316,681	327,022	325,024	343,822	358,660
<b>Use Charges</b>	<b>3,684,381</b>	<b>3,803,547</b>	<b>3,805,245</b>	<b>4,025,335</b>	<b>4,199,050</b>
		3.2%	0.0%	5.8%	4.3%
<b>Total</b>	<b>4,621,558</b>	<b>4,753,044</b>	<b>4,889,586</b>	<b>5,136,984</b>	<b>5,336,464</b>
	-0.7%	2.8%	2.9%	5.1%	3.9%

Table 2

## Summary of Water System Costs

## Cost Assumptions

Labor	3.0%	SCWA Water	Proj use & 4%
Services & Supplies	3.5%	Depreciation	Flat - non Cash
		Water Use	From projections

	Actual FY 11-12	Actual FY 12-13	Prel Actual FY 13-14	Budget FY 14-15	Projected FY 15-16	Projected FY 16-17	Projected FY 17-18	Projected FY 18-19
<b>Summary</b>								
Operations (less Depreciation)	3,661,735	4,084,543	4,125,969	4,273,796	4,328,868	4,301,011	4,442,569	4,589,153
Debt Service	138,028	262,057	123,428	121,085	123,648	258,905	261,272	261,292
Capital Improvements	30,775	446,356	791,234	2,502,000	2,135,350	1,020,000	470,000	1,470,000
<b>Total Costs</b>	<b>3,830,538</b>	<b>4,792,956</b>	<b>5,040,631</b>	<b>6,896,881</b>	<b>6,587,866</b>	<b>5,579,916</b>	<b>5,173,841</b>	<b>6,320,445</b>

## Costs Details

## Operations

Personnel	909,089	1,229,207	1,117,870	1,092,452	1,125,226	1,158,982	1,193,752	1,229,564
Professional Services	245,759	181,948	134,815	256,240	265,208	274,491	284,098	294,041
Contract Services - Purchased Water	1,492,709	1,649,044	1,635,500	1,665,621	1,645,633	1,540,313	1,601,925	1,666,002
Water Conservation	49,387	27,471	18,443	100,000	103,500	107,123	110,872	114,752
Supplies & Other Operating Costs	310,641	285,738	271,097	313,100	324,059	335,401	347,140	359,289
Computers and Equipment	(0)	43,620	110,958	50,000	51,750	53,561	55,436	57,376
Support Services	127,336	151,410	116,669	150,866	156,146	161,611	167,268	173,122
Depreciation	349,287	354,523	353,550	353,550	353,550	353,550	353,550	353,550
Transfer Out - General Fund Support	526,813	516,105	375,154	394,298	406,127	418,311	430,860	443,786
Transfer Out - Gas Tax for Road Mntc & Service Lines			209,554					
Transfer Out - Other - Debt Contributions			135,909	251,219	251,219	251,219	251,219	251,219
<b>Total Operations</b>	<b>4,011,022</b>	<b>4,439,066</b>	<b>4,479,519</b>	<b>4,627,346</b>	<b>4,682,418</b>	<b>4,654,561</b>	<b>4,796,119</b>	<b>4,942,703</b>
<b>Less Depreciation</b>	<b>(349,287)</b>	<b>(354,523)</b>	<b>(353,550)</b>	<b>(353,550)</b>	<b>(353,550)</b>	<b>(353,550)</b>	<b>(353,550)</b>	<b>(353,550)</b>
<b>Net Operations</b>	<b>3,661,735</b>	<b>4,084,543</b>	<b>4,125,969</b>	<b>4,273,796</b>	<b>4,328,868</b>	<b>4,301,011</b>	<b>4,442,569</b>	<b>4,589,153</b>
	4%	12%	1%	4%	1%	-1%	3%	3%

<b>Debt Service</b>	<b>138,028</b>	<b>262,057</b>	<b>123,428</b>	<b>121,085</b>	<b>123,648</b>	<b>258,905</b>	<b>261,272</b>	<b>261,292</b>
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## Capital Projects

Water Mains	30,775	446,356	595,171	1,230,300	1,243,650	-	-	-
Service Lines	-	-	123,263	646,000	520,000	320,000	320,000	470,000
Tanks, Pumps, Wells & Other	-	-	72,800	590,700	171,700	300,000	100,000	1,000,000
Special Studies & Projects	-	-	-	35,000	200,000	400,000	50,000	-

<b>Capital Projects</b>	<b>30,775</b>	<b>446,356</b>	<b>791,234</b>	<b>2,502,000</b>	<b>2,135,350</b>	<b>1,020,000</b>	<b>470,000</b>	<b>1,470,000</b>
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<b>Total</b>	<b>3,830,538</b>	<b>4,792,956</b>	<b>5,040,631</b>	<b>6,896,881</b>	<b>6,587,866</b>	<b>5,579,916</b>	<b>5,173,841</b>	<b>6,320,445</b>
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## Sonoma County Water Agency Wholesale Cost of Water

Projection of Water Purchase (in acre feet)	1,999	2,049	2,116	2,116	2,010	1,809	1,809	1,809
		2.5%	3.3%	0.0%	-5.0%	-10.0%	0.0%	0.0%
SCWA Costs per acre foot	\$ 703.33	\$ 740.34	\$ 768.75	\$ 787.16	\$ 818.65	\$ 851.39	\$ 885.45	\$ 920.87
Annual % Change from Prior Year		5.3%	3.8%	2.4%	4.0%	4.0%	4.0%	4.0%
<b>Total Cost of Purchased Water</b>	<b>1,406,001</b>	<b>1,516,958</b>	<b>1,626,665</b>	<b>1,665,621</b>	<b>1,645,633</b>	<b>1,540,313</b>	<b>1,601,925</b>	<b>1,666,002</b>
		7.9%	7.2%	2.4%	-1.2%	-6.4%	4.0%	4.0%

<b>SCWA Purchased Water Cost per Thousand Gallons (Kg)</b>	\$ 2.16	\$ 2.27	\$ 2.36	\$ 2.42	\$ 2.51	\$ 2.61	\$ 2.72	\$ 2.83
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**Water Debt Issues - Current and Proposed**

**Table 3**

**Debt Issues**

Prel Actual FY 13-14	Budget FY 14-15	Projected FY 15-16	Projected FY 16-17	Projected FY 17-18	Projected FY 18-19
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**Existing Debt**

**2012 Refunding Water Installment Sales Agreement**

Original Amount - \$1,605,000

Matures - October 2032

Outstanding Balance at 6/30

Total Annual Payments

1,545,000	1,485,000	1,420,000	1,355,000	1,285,000	1,215,000
121,425	119,085	121,648	119,113	121,480	121,500

**Existing Outstanding Balance at 6/30**

**Existing Annual Debt Payments**

1,545,000	1,485,000	1,420,000	1,355,000	1,285,000	1,215,000
121,425	119,085	121,648	119,113	121,480	121,500

**New Debt**

**Wells**

Assumed Years Maturity 20  
 Assumed Interest Rate % 3.00%

Net Proceeds for Project Costs

Cost of Issuance

Assumed Outstanding Balance at 6/30

Total Assumed Annual Payments

2,000,000

50,000

2,050,000

**Proposed Outstanding Balance at 6/30**

**Proposed Annual Debt Payments**

2,050,000	-	-	-
	137,792	137,792	137,792

**Total Debt - Existing and Proposed**

**Outstanding Balance at 6/30**

**Annual Debt Payments**

**Annual Cost of Issuance & Trustees**

**Total Annual Debt Costs**

**Debt Reserve Requirement**

1,545,000	1,485,000	3,470,000	1,355,000	1,285,000	1,215,000
121,425	119,085	121,648	256,905	259,272	259,292
2,000	2,000	2,000	2,000	2,000	2,000
<b>123,425</b>	<b>121,085</b>	<b>123,648</b>	<b>258,905</b>	<b>261,272</b>	<b>261,292</b>
141,300	141,300	279,092	279,092	279,092	279,092

**Capital Improvement Projects**

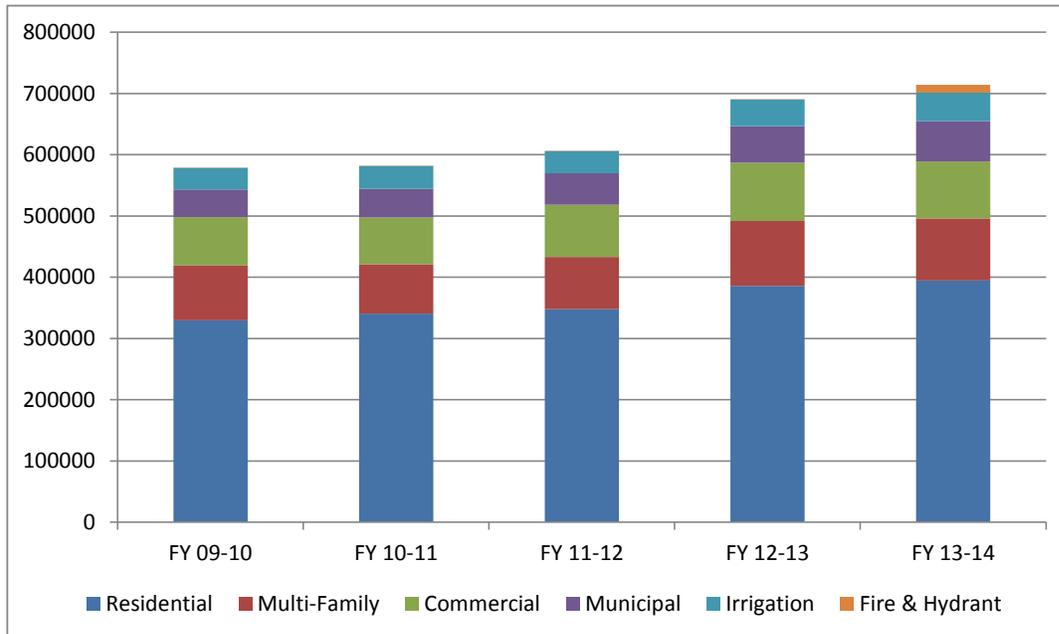
**Table 4**

Description	Prel Actual	Budget	Projected	Projected	Projected	Projected	Project
	FY 13-14	FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19	Total
<b>Water Mains</b>							
Hwy 12, Napa St West, 1st St West to City Limit Water Main & Serv	61,223	1,190,300	1,123,650				2,375,173
Zone 1 & 2 Intertie	533,948						533,948
Zone 3 Expansion			20,000				20,000
Relocation Water Main on Chase St. Bridge		40,000	100,000				140,000
<b>Water mains</b>	<b>595,171</b>	<b>1,230,300</b>	<b>1,243,650</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,069,121</b>
<b>Service Lines</b>							
Replace Meter Registers and Radios		200,000	200,000				400,000
Telemetry Upgrade & Improvements						150,000	150,000
Other System Replacement/Improvements		70,000	70,000	70,000	70,000	70,000	350,000
Street Resurfacing	15,175	150,000	150,000	150,000	150,000	150,000	765,175
Misc. Service Line Replacements	108,088	226,000	100,000	100,000	100,000	100,000	734,088
<b>Service Lines</b>	<b>123,263</b>	<b>646,000</b>	<b>520,000</b>	<b>320,000</b>	<b>320,000</b>	<b>470,000</b>	<b>2,399,263</b>
<b>Tanks, Pumps, Wells and Other Improvements</b>							
Feasibility Study/CEQA doc./Construct VOM/SDC CU Proj.				300,000			300,000
Well Water Treatment Improvements - Tablet Systems		20,000	20,000				40,000
Study, Construct, Test and Equip New Well #8 (Field of Dreams)	71,227	540,700	131,700				743,627
Study, Construct, Test and Equip New Well #3 Replacement						1,000,000	1,000,000
New Well #9 Siting					100,000		100,000
Groundwater Banking Pilot Project Well 6	1,573	25,000					26,573
Corp Yard Warehouse ADA Improvements		5,000	20,000				25,000
<b>Tanks, Pumps, Wells and Other Improvements Sub-Total</b>	<b>72,800</b>	<b>590,700</b>	<b>171,700</b>	<b>300,000</b>	<b>100,000</b>	<b>1,000,000</b>	<b>2,235,200</b>
<b>Special Studies and Projects</b>							
Water System Master Plan				400,000			400,000
Urban Water Management Plan			200,000				200,000
General Consulting on CIP Projects and Periodic Rate/Fee Study	-	35,000			50,000		85,000
<b>Special Studies and Projects Sub-Total</b>	<b>-</b>	<b>35,000</b>	<b>200,000</b>	<b>400,000</b>	<b>50,000</b>	<b>-</b>	<b>685,000</b>
<b>Total CIP and Related Projects</b>							
	<b>791,234</b>	<b>2,502,000</b>	<b>2,135,350</b>	<b>1,020,000</b>	<b>470,000</b>	<b>1,470,000</b>	<b>8,388,584</b>
<b>CIP</b>							
<b>Water mains</b>	<b>595,171</b>	<b>1,230,300</b>	<b>1,243,650</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,069,121</b>
<i>Future Customer Share</i>	-	-	-	-	-	-	-
<i>Existing Customer Share</i>	595,171	1,230,300	1,243,650	-	-	-	3,069,121
<b>Service Lines</b>	<b>123,263</b>	<b>646,000</b>	<b>520,000</b>	<b>320,000</b>	<b>320,000</b>	<b>470,000</b>	<b>2,399,263</b>
<i>Future Customer Share</i>	18,499	96,952	78,042	48,026	48,026	70,538	360,082
<i>Existing Customer Share</i>	104,764	549,048	441,958	271,974	271,974	399,462	2,039,181
<b>Tanks, Pumps, Wells and Other Improvements</b>	<b>72,800</b>	<b>590,700</b>	<b>171,700</b>	<b>300,000</b>	<b>100,000</b>	<b>1,000,000</b>	<b>2,235,200</b>
<i>Future Customer Share</i>	71,334	578,808	168,243	293,960	97,987	979,868	2,190,200
<i>Existing Customer Share</i>	1,466	11,892	3,457	6,040	2,013	20,132	45,000
<b>Special Studies and Projects</b>	<b>-</b>	<b>35,000</b>	<b>200,000</b>	<b>400,000</b>	<b>50,000</b>	<b>-</b>	<b>685,000</b>
<i>Future Customer Share</i>	-	26,697	152,555	305,109	38,139	-	522,500
<i>Existing Customer Share</i>	-	8,303	47,445	94,891	11,861	-	162,500
<b>Total</b>	<b>791,234</b>	<b>2,502,000</b>	<b>2,135,350</b>	<b>1,020,000</b>	<b>470,000</b>	<b>1,470,000</b>	<b>8,388,584</b>
<i>Future Customer Share</i>	89,834	702,457	398,840	647,095	184,151	1,050,405	3,072,782
<i>Existing Customer Share</i>	701,400	1,799,543	1,736,510	372,905	285,849	419,595	5,315,802

**Historical Water Use by User Type in Thousand Gallons (Kg)**

**Table 5**

User Type	Historical Use					Five Year Average	FY 13-14 Variance
	FY 09-10	FY 10-11	FY 11-12	FY 12-13	FY 13-14		
Residential	329,795	340,558	347,878	385,643	394,733	359,721	10%
Multi-Family	89,859	80,769	85,387	106,400	101,342	92,751	9%
Commercial	78,148	75,966	84,926	94,881	93,002	85,385	9%
Municipal	45,445	46,885	51,380	59,501	66,092	53,861	23%
Irrigation	35,211	37,445	36,458	43,926	45,907	39,789	15%
Fire & Hydrant	161	384	36	35	13,093	2,742	378%
<b>Total Usage</b>	<b>578,619</b>	<b>582,007</b>	<b>606,065</b>	<b>690,386</b>	<b>714,169</b>	<b>634,249</b>	<b>13%</b>
		0.6%	4.1%	13.9%	3.4%		
<b>Acre Feet</b>	<b>1,775.7</b>	<b>1,786.1</b>	<b>1,859.9</b>	<b>2,118.7</b>	<b>2,191.7</b>		



Water Use by User Type and Use Ratios

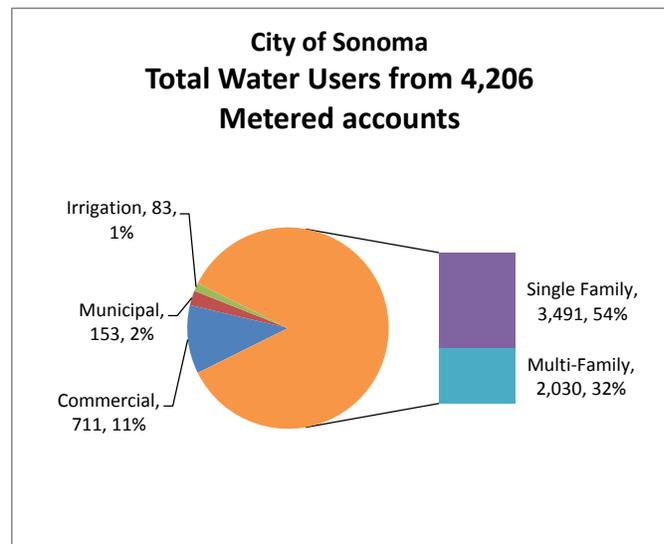
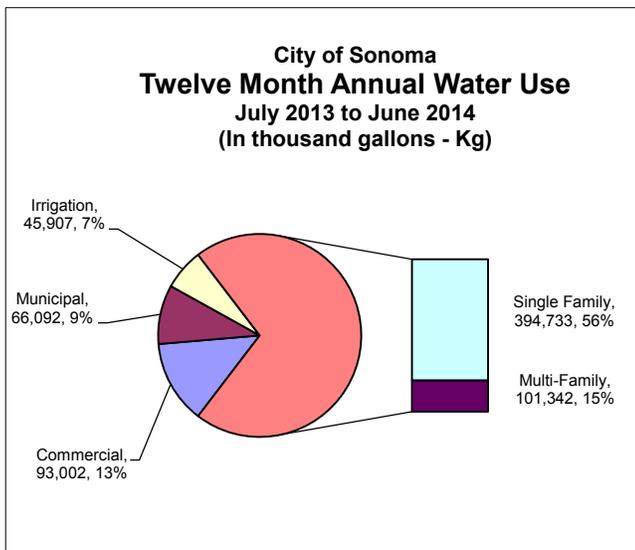
Table 6

User Type	Total Accounts		Total Users per Accounts		Prior Fiscal Year - Twelve Months (July 2013 to June 2014)		Adjusted Average of Last Five Years (July 2009 to June 2014)		Variance of Last 12 Mths to Five Year Average	Avg Annual Kg Per User [2]	Current Use Ratios [3]	Proposed Use Ratios
					Total Annual (in Kg) [1]	% of Total	Total Annual (in Kg)	% of Total				
2,12 Residential	3,475	83%	3,491	54%	394,733	56%	359,721	57%	9.7%	113	1.00	1.00
6,16 Multi-Family	276	7%	2,030	31%	101,342	14%	92,751	15%	9.3%	50	0.90	0.80
1,11 Commercial	303	7%	711	11%	93,002	13%	85,385	14%	8.9%	131	1.00	1.15
5,15 Municipal	69	2%	153	2%	66,092	9%	53,861	9%	22.7%	432	1.01	1.00
3,13 Irrigation	83	2%	83	1%	45,907	7%	39,789	6%	15.4%	553	1.32	1.32
	4,206	100%	6,468	100%	701,076	100%	631,507	100%	11.0%	108		
11,4,14 Fire & Hydrant	144		144		13,093		2,742	0%	377.5%			

[1] "in Kg" is a typical water meter measurement of 1000 gallons of water. This is the equivalent of 30 typical trash barrels.

[2] A median single family residence uses 113,000 per year. This is a similar amount to almost 40 typical water tank trucks.

[3] Over the last two years water usage has increased by almost 13% over the average of the last five years. The 2014 rate study projects a reduced water use and assumes increased conservation efforts due to the drought and mandatory State and possible water agency measures.



**Water Users by Meter Size**

**Table 7**

User # and Type	Total Accounts	Total Users per Accounts	Accounts by Meter Size							Users by Meter Size						
			5/8, 3/4, 1	1.5	2	3	4	6	Total	5/8, 3/4, 1	1.5	2	3	4	6	Total
2,12 Residential	3,475	3,491	3448	21	5	1	0	0	3,475	3,464	21	5	1	-	-	3,491
6,16 Multi-Family	276	2,030	232	28	12	4	0	0	276	1,706	206	88	29	-	-	2,030
1,11 Commercial	303	711	226	40	33	3	0	1	303	530	94	77	7	-	2	711
5,15 Municipal	69	153	41	0	16	7	4	1	69	91	-	35	16	9	2	153
3,13 Irrigation	83	83	47	15	18	2	1	0	83	47	15	18	2	1	-	83
<b>Total</b>	<b>4,206</b>	<b>6,468</b>	<b>3,994</b>	<b>104</b>	<b>84</b>	<b>17</b>	<b>5</b>	<b>2</b>	<b>4,206</b>	<b>5,838</b>	<b>336</b>	<b>224</b>	<b>55</b>	<b>10</b>	<b>5</b>	<b>6,468</b>

Fire Line Meter Sizes		1.5 & 2	4	6	8	10	Hyd	Total	
11,4,14 Fire Line & Hydrant	144	144	9	57	47	14	4	13	144

**Meter Capacity Equivalent**

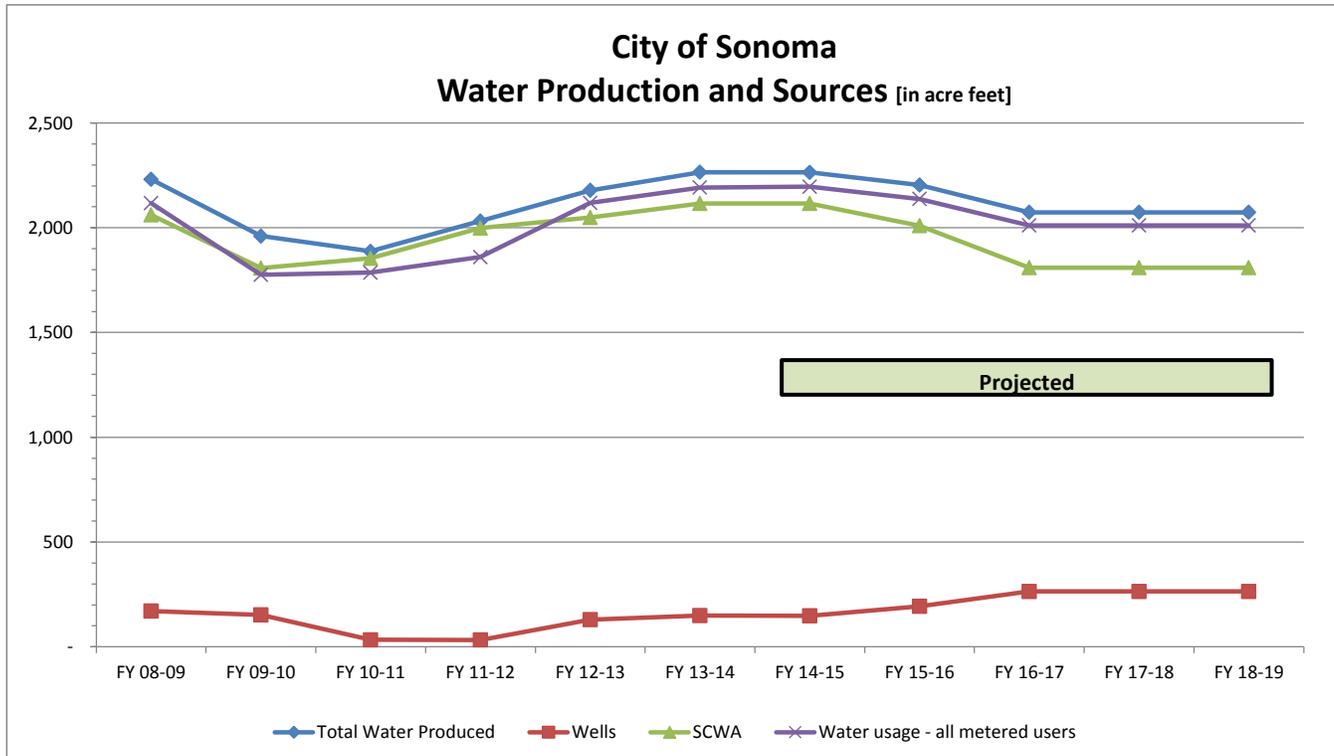
**Table 8**

User Type	Meters							Meters Capacity Ratios						Total Meter Capacity per EDU
	5/8, 3/4, 1	1.5	2	3	4	6	Total	1.00	1.60	2.00	3.00	5.00	8.01	
<b>Accounts</b>														
Residential	3,448	21	5	1	-	-	3,475	3,448	34	10	3	-	-	3,495
Multi-Family	232	28	12	4	-	-	276	232	45	24	12	-	-	313
Commercial	226	40	33	3	-	1	303	226	64	66	9	-	8	373
Municipal	41	-	16	7	4	1	69	41	-	32	21	20	8	122
Irrigation	47	15	18	2	1	-	83	47	24	36	6	5	-	118
	<b>3,994</b>	<b>104</b>	<b>84</b>	<b>17</b>	<b>5</b>	<b>2</b>	<b>4,206</b>	<b>3,994</b>	<b>166</b>	<b>168</b>	<b>51</b>	<b>25</b>	<b>16</b>	<b>4,420</b>
	<b>3,994</b>													
<b>Users</b>														
Residential	3,464	21	5	1	-	-	3,491	3,464	34	10	3	-	-	3,511
Multi-Family	1,706	206	88	29	-	-	2,030	1,706	330	177	88	-	-	2,301
Commercial	530	94	77	7	-	2	711	530	150	155	21	-	19	875
Municipal	91	-	35	16	9	2	153	91	-	71	47	44	18	271
Irrigation	47	15	18	2	1	-	83	47	24	36	6	5	-	118
	<b>5,838</b>	<b>336</b>	<b>224</b>	<b>55</b>	<b>10</b>	<b>5</b>	<b>6,468</b>	<b>5,838</b>	<b>537</b>	<b>448</b>	<b>165</b>	<b>49</b>	<b>37</b>	<b>7,075</b>

**Water Production by Fiscal Year**

**Table 9**

<b>Water Production in Acre Feet [1]</b>								
	Actual FY 11-12	Actual FY 12-13	Prel Actual FY 13-14	Budget FY 14-15	Projected FY 15-16	Projected FY 16-17	Projected FY 17-18	Projected FY 18-19
<b>Projected in Acre Feet [1]</b>	2,031.7	2,178.4	2,265.3	2,264.1	2,203.2	2,073.3	2,073.3	2,073.3
<b>Production Loss or Unmetered use</b>	(171.7)	(59.7)	(73.6)	(67.9)	(66.1)	(62.2)	(62.2)	(62.2)
<b>Projections for Conservation as % reduction in Usage</b>	-	-	-	-0.05%	-2.69%	-5.89%	0.00%	0.00%
<b>Total Usage (For Rates)</b>	<b>1,859.9</b>	<b>2,118.7</b>	<b>2,191.7</b>	<b>2,196.2</b>	<b>2,137.1</b>	<b>2,011.1</b>	<b>2,011.1</b>	<b>2,011.1</b>
<b>Annual Percent change</b>	4%	14%	3%	0%	-3%	-6%	0%	0%
<b>Cummulative Percent Change from FY 13-14</b>				0%	-2%	-8%	-8%	-8%
<b>Usage in Thousand Gallons (Kg)</b>	<b>606,065</b>	<b>690,386</b>	<b>714,169</b>	<b>715,633</b>	<b>696,371</b>	<b>655,326</b>	<b>655,326</b>	<b>655,326</b>
<b>Water Production Sources</b>								
<b>Wells</b>	32.6	129.4	149.3	148.1	193.0	264.1	264.1	264.1
% Annual Change	-2%	297%	15%	-1%	30%	37%	0%	0%
% of Total Production	2%	6%	7%	7%	9%	13%	13%	13%
<b>Sonoma County Water Agency</b>	1,999.1	2,049.0	2,116.0	2,116.0	2,010.2	1,809.2	1,809.2	1,809.2
% Annual Change	8%	2%	3%	0%	-5%	-10%	0%	0%
% of Total Production	98%	94%	93%	93%	91%	87%	87%	87%
<b>Total Water Production</b>	<b>2,031.7</b>	<b>2,178.4</b>	<b>2,265.3</b>	<b>2,264.1</b>	<b>2,203.2</b>	<b>2,073.3</b>	<b>2,073.3</b>	<b>2,073.3</b>
% Annual Change	8%	7%	4%	0%	-3%	-6%	0%	0%



[1] From Public Works Production reports. An acre foot (af) is a typical method of measuring water production. An acre foot of water is equal to 43,560 square feet of water 12" deep, or 325,829 gallons. The volume of water would generate 893 gallons per day for one year.

Table 10

## Allocation of Operations and Debt Costs between fixed Monthly Service Charges and Variable Volume Charges

	Actual FY 11-12	Actual FY 12-13	Prel Actual FY 13-14	Budget FY 14-15	Projected FY 15-16	Projected FY 16-17	Projected FY 17-18	Projected FY 18-19
<b>Net Operations (less depreciation)</b>	3,661,735	4,084,543	4,125,969	4,273,796	4,328,868	4,301,011	4,442,569	4,589,153
<b>Add Capital Funding Replacement and Reserves</b>	12,150	308,715	402,647	350,000	350,000	350,000	350,000	350,000
<b>Est % Fixed - from Mthly Service Charges</b>	19.7%	13.7%	16.7%	17.0%	17.0%	17.0%	17.0%	17.0%
<b>Est % Variable - from Use of Water</b>	80.3%	86.3%	83.3%	83.0%	83.0%	83.0%	83.0%	83.0%
<b>Debt Service - 100% Fixed</b>	138,028	262,057	123,428	121,085	123,648	258,905	261,272	261,292
<b>Total to be recovered from User Charges</b>	<b>3,811,913</b>	<b>4,655,315</b>	<b>4,652,044</b>	<b>4,744,881</b>	<b>4,802,516</b>	<b>4,909,916</b>	<b>5,053,841</b>	<b>5,200,445</b>
		22%	0%	2%	1%	2%	3%	3%
<b>Allocation of Costs</b>								
Fixed Meter Service Charge	862,331	863,933	879,707	907,130	919,056	1,049,577	1,076,009	1,100,948
Variable Water Use Charge	2,949,582	3,791,382	3,772,337	3,837,750	3,883,460	3,860,339	3,977,832	4,099,497
<b>Total to be recovered from User Charges</b>	<b>3,811,913</b>	<b>4,655,315</b>	<b>4,652,044</b>	<b>4,744,881</b>	<b>4,802,516</b>	<b>4,909,916</b>	<b>5,053,841</b>	<b>5,200,445</b>
<b>Fixed Costs</b>	862,331	863,933	879,707	907,130	919,056	1,049,577	1,076,009	1,100,948
% Adjustment to reflect practical usage of system	100%	100%	100%	100%	100%	100%	100%	100%
<b>Fixed Monthly Service Charges</b>	<b>862,331</b>	<b>863,933</b>	<b>879,707</b>	<b>907,130</b>	<b>919,056</b>	<b>1,049,577</b>	<b>1,076,009</b>	<b>1,100,948</b>
			2%	3%	1%	14%	3%	2%
<b>Variable Costs</b>	<b>2,949,582</b>	<b>3,791,382</b>	<b>3,772,337</b>	<b>3,837,750</b>	<b>3,883,460</b>	<b>3,860,339</b>	<b>3,977,832</b>	<b>4,099,497</b>
<b>Subtotal Variable Costs</b>	<b>2,949,582</b>	<b>3,791,382</b>	<b>3,772,337</b>	<b>3,837,750</b>	<b>3,883,460</b>	<b>3,860,339</b>	<b>3,977,832</b>	<b>4,099,497</b>
<b>Variable Use Charges</b>	<b>2,949,582</b>	<b>3,791,382</b>	<b>3,772,337</b>	<b>3,837,750</b>	<b>3,883,460</b>	<b>3,860,339</b>	<b>3,977,832</b>	<b>4,099,497</b>
			-1%	2%	1%	-1%	3%	3%

**Allocation of Operations and Debt Costs between fixed Monthly Service Charges and Variable Volume Charges**

**Table 10**

	Actual FY 11-12	Actual FY 12-13	Prel Actual FY 13-14	Budget FY 14-15	Projected FY 15-16	Projected FY 16-17	Projected FY 17-18	Projected FY 18-19
<b>Allocation of Operating Cost by Sources of Revenue</b>								
<b>Us User Fees</b>								
Fixed Monthly Service Rate	862,331	863,933	879,707	907,130	919,056	1,049,577	1,076,009	1,100,948
Variable Volume Water Use Rate	2,949,582	3,791,382	3,772,337	3,837,750	3,883,460	3,860,339	3,977,832	4,099,497
<b>Total</b>	<b>3,811,913</b>	<b>4,655,315</b>	<b>4,652,044</b>	<b>4,744,881</b>	<b>4,802,516</b>	<b>4,909,916</b>	<b>5,053,841</b>	<b>5,200,445</b>
		22%	0%	2%	1%	2%	3%	3%
<b>User Fees</b>								
Fixed Monthly Service Rate	23%	19%	19%	19%	19%	21%	21%	21%
Variable Volume Water Use Rate	77%	81%	81%	81%	81%	79%	79%	79%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

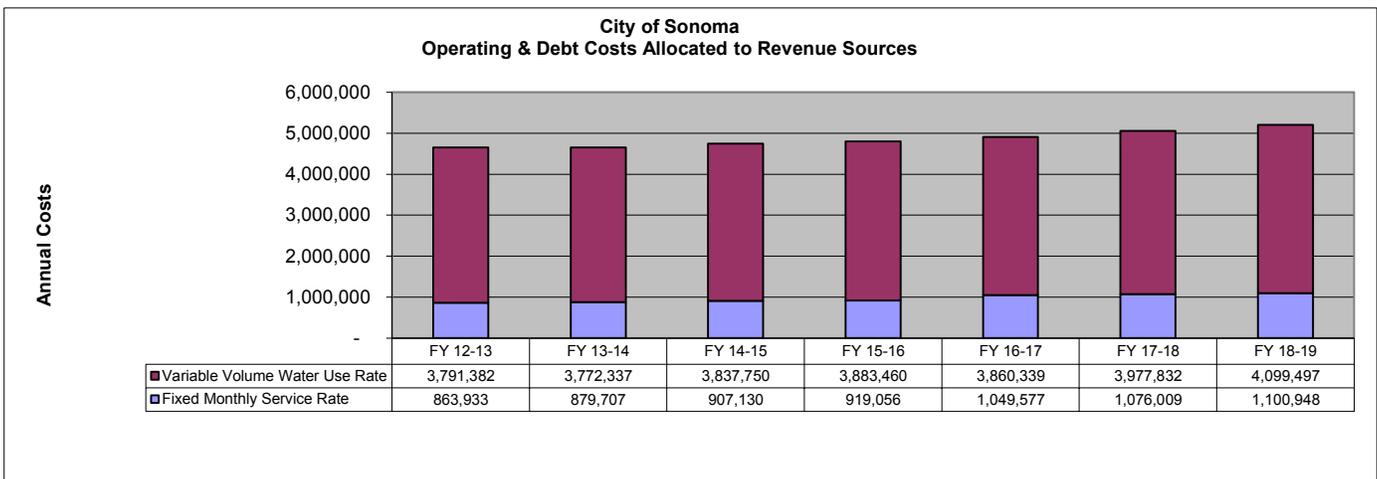


Table 11

**Monthly Service Charge Calculation by Meter Size and Capacity Equivalent**

User Type	Meter Capacity Equivalent							Total	%
	5/8"/3/4"/1"	1.5"	2"	3"	4"	6"			
	1.00	1.60	2.00	3.00	5.00	8.01			
Residential	3,448	34	10	3	0	0	3,495	79%	
Multi-Family	232	45	24	12	0	0	313	7%	
Commercial	226	64	66	9	0	8	373	8%	
Municipal	41	0	32	21	20	8	122	3%	
Irrigation	47	24	36	6	5	0	118	3%	
	<b>3,994</b>	<b>166</b>	<b>168</b>	<b>51</b>	<b>25</b>	<b>16</b>	<b>4,420</b>	100%	

Meter Capacity Equivalent	<b>3,994</b>	<b>104</b>	<b>84</b>	<b>17</b>	<b>5</b>	<b>2</b>	<b>4,206</b>
Rates per Meter Size	<b>\$ 18.42</b>	<b>\$ 24.58</b>	<b>\$ 30.72</b>	<b>\$ 46.07</b>	<b>\$ 76.78</b>	<b>\$ 122.96</b>	
Revenues Generated	<b>\$ 777,140</b>	<b>\$ 30,676</b>	<b>\$ 30,966</b>	<b>\$ 9,398</b>	<b>\$ 4,607</b>	<b>\$ 2,951</b>	<b>\$ 855,738</b>
Revenue Percent Change							

Fire Line							
Fire Meter Size	<b>2</b>	<b>4</b>	<b>6</b>	<b>8</b>	<b>10</b>		
Fire Meter Accounts	<b>9</b>	<b>57</b>	<b>47</b>	<b>14</b>	<b>4</b>		<b>131</b>
Fire Meter Monthly Rate	<b>\$ 5.27</b>	<b>\$ 10.53</b>	<b>\$ 21.07</b>	<b>\$ 31.60</b>	<b>\$ 42.13</b>		
Fire Line Revenues	<b>\$ 569</b>	<b>\$ 7,203</b>	<b>\$ 11,883</b>	<b>\$ 5,309</b>	<b>\$ 2,022</b>		<b>26,986</b>

Table 11

**Monthly Service Charge Calculation by Meter Size and Capacity Equivalent**

		<b>FY 14-15</b>
Net From Fixed Costs		<b>907,130</b>
Net to be recovered From Fixed Charges		907,130
Annual Cost per Meter EDU		205.21
Monthly Cost per 5/8"/3/4"/1" meter at 1.00 (Typical SFR)		<b>17.10</b>
Percent Change From Prior Year Rate	<b>\$ 15.35</b>	<b>11.4%</b>

User Type	FY 14-15							
	5/8"/3/4"/1"	1.5"	2"	3"	4"	6"	Total	%
Residential	707,576	6,895	2,052	616	0	0	717,139	79%
Multi-Family	47,610	9,194	4,925	2,463	0	0	64,191	7%
Commercial	46,378	13,134	13,544	1,847	0	1,644	76,547	8%
Municipal	8,414	0	6,567	4,309	4,104	1,644	25,038	3%
Irrigation	9,645	4,925	7,388	1,231	1,026	0	24,215	3%
	<b>819,623</b>	<b>34,148</b>	<b>34,476</b>	<b>10,466</b>	<b>5,130</b>	<b>3,288</b>	<b>907,130</b>	100%

<b>Meter Capacity Equivalent</b>	<b>3,994</b>	<b>104</b>	<b>84</b>	<b>17</b>	<b>5</b>	<b>2</b>	<b>4,206</b>
<b>Rates per Meter Size</b>	<b>\$ 17.10</b>	<b>\$ 27.36</b>	<b>\$ 34.20</b>	<b>\$ 51.30</b>	<b>\$ 85.51</b>	<b>\$ 136.98</b>	
<b>Revenues Generated</b>	<b>\$ 819,623</b>	<b>\$ 34,148</b>	<b>\$ 34,476</b>	<b>\$ 10,466</b>	<b>\$ 5,130</b>	<b>\$ 3,288</b>	<b>\$ 907,130</b>
<b>Revenue Percent Change</b>	5.47%	11.32%	11.34%	11.36%	11.36%	11.40%	6.01%

<b>Fire Line</b>							
<b>Fire Meter Size</b>	<b>2</b>	<b>4</b>	<b>6</b>	<b>8</b>	<b>10</b>		
<b>Fire Meter Accounts</b>	9	57	47	14	4		131
<b>Fire Meter Monthly Rate</b>	<b>\$ 5.87</b>	<b>\$ 11.72</b>	<b>\$ 23.46</b>	<b>\$ 35.19</b>	<b>\$ 46.92</b>		
<b>Fire Line Revenues</b>	634	8,018	13,231	5,912	2,252		30,046

Table 11

**Monthly Service Charge Calculation by Meter Size and Capacity Equivalent**

		<b>FY 15-16</b>
Net From Fixed Costs		<b>919,056</b>
Net to be recovered From Fixed Charges		<b>919,056</b>
Annual Cost per Meter EDU		<b>207.91</b>
Monthly Cost per 5/8"/3/4"/1" meter at 1.00 (Typical SFR)		<b>17.33</b>
Percent Change From Prior Year Rate	<b>\$ 17.10</b>	<b>1.3%</b>

User Type	FY 15-16							Total	%
	1"	1.5"	2"	3"	4"	6"			
Residential	716,878	6,986	2,079	624	0	0	726,567	79%	
Multi-Family	48,235	9,314	4,990	2,495	0	0	65,035	7%	
Commercial	46,988	13,306	13,722	1,871	0	1,665	77,553	8%	
Municipal	8,524	0	6,653	4,366	4,158	1,665	25,367	3%	
Irrigation	9,772	4,990	7,485	1,247	1,040	0	24,534	3%	
	<b>830,398</b>	<b>34,596</b>	<b>34,929</b>	<b>10,603</b>	<b>5,198</b>	<b>3,331</b>	<b>919,056</b>	100%	

<b>Meter Capacity Equivalent</b>	<b>3,994</b>	<b>104</b>	<b>84</b>	<b>17</b>	<b>5</b>	<b>2</b>	<b>4,206</b>
<b>Rates per Meter Size</b>	<b>\$ 17.33</b>	<b>\$ 27.72</b>	<b>\$ 34.65</b>	<b>\$ 51.98</b>	<b>\$ 86.63</b>	<b>\$ 138.78</b>	
<b>Revenues Generated</b>	<b>\$ 830,398</b>	<b>\$ 34,596</b>	<b>\$ 34,929</b>	<b>\$ 10,603</b>	<b>\$ 5,198</b>	<b>\$ 3,331</b>	<b>\$ 919,056</b>
<b>Revenue Percent Change</b>	1.31%	1.31%	1.31%	1.31%	1.31%	1.31%	1.31%

<b>Fire Line</b>							
<b>Fire Meter Size</b>	<b>2</b>	<b>4</b>	<b>6</b>	<b>8</b>	<b>10</b>		
<b>Fire Meter Accounts</b>	9	57	47	14	4		131
<b>Fire Meter Monthly Rate</b>	<b>\$ 5.95</b>	<b>\$ 11.88</b>	<b>\$ 23.77</b>	<b>\$ 35.65</b>	<b>\$ 47.53</b>		
<b>Fire Line Revenues</b>	642	8,123	13,404	5,990	2,282		30,441

Table 11

**Monthly Service Charge Calculation by Meter Size and Capacity Equivalent**

	<b>FY 16-17</b>
Net From Fixed Costs	<u>1,049,577</u>
Net to be recovered From Fixed Charges	<u>1,049,577</u>
Annual Cost per Meter EDU	237.44
Monthly Cost per 5/8"/3/4"/1" meter at 1.00 (Typical SFR)	<b>19.79</b>
Percent Change From Prior Year Rate	\$ 17.33      14.2%

User Type	FY 16-17							
	1"	1.5"	2"	3"	4"	6"	Total	%
Residential	818,687	7,978	2,374	712	0	0	829,752	79%
Multi-Family	55,086	10,637	5,699	2,849	0	0	74,271	7%
Commercial	53,661	15,196	15,671	2,137	0	1,902	88,567	8%
Municipal	9,735	0	7,598	4,986	4,749	1,902	28,970	3%
Irrigation	11,160	5,699	8,548	1,425	1,187	0	28,018	3%
	<b>948,329</b>	<b>39,510</b>	<b>39,890</b>	<b>12,109</b>	<b>5,936</b>	<b>3,804</b>	<b>1,049,577</b>	100%

Meter Capacity Equivalent	<b>3,994</b>	<b>104</b>	<b>84</b>	<b>17</b>	<b>5</b>	<b>2</b>	<b>4,206</b>
Rates per Meter Size	<b>\$ 19.79</b>	<b>\$ 31.66</b>	<b>\$ 39.57</b>	<b>\$ 59.36</b>	<b>\$ 98.93</b>	<b>\$ 158.49</b>	
Revenues Generated	\$ 948,329	\$ 39,510	\$ 39,890	\$ 12,109	\$ 5,936	\$ 3,804	\$ 1,049,577
Revenue Percent Change	14.20%	14.20%	14.20%	14.20%	14.20%	14.20%	14.20%

<b>Fire Line</b>							
Fire Meter Size	2	4	6	8	10		
Fire Meter Accounts	9	57	47	14	4		131
Fire Meter Monthly Rate	\$ 6.79	\$ 13.56	\$ 27.14	\$ 40.72	\$ 54.29		
Fire Line Revenues	734	9,277	15,308	6,840	2,606		34,764

Table 11

**Monthly Service Charge Calculation by Meter Size and Capacity Equivalent**

	<b>FY 17-18</b>
Net From Fixed Costs	<b>1,076,009</b>
Net to be recovered From Fixed Charges	<b>1,076,009</b>
Annual Cost per Meter EDU	<b>243.42</b>
Monthly Cost per 5/8"/3/4"/1" meter at 1.00 (Typical SFR)	<b>20.28</b>
Percent Change From Prior Year Rate	<b>\$ 19.79      2.5%</b>

User Type	FY 17-18							Total	%
	1"	1.5"	2"	3"	4"	6"			
Residential	839,305	8,179	2,434	730	0	0	850,648	79%	
Multi-Family	56,473	10,905	5,842	2,921	0	0	76,141	7%	
Commercial	55,012	15,579	16,066	2,191	0	1,950	90,797	8%	
Municipal	9,980	0	7,789	5,112	4,868	1,950	29,699	3%	
Irrigation	11,441	5,842	8,763	1,461	1,217	0	28,723	3%	
	<b>972,211</b>	<b>40,505</b>	<b>40,894</b>	<b>12,414</b>	<b>6,085</b>	<b>3,900</b>	<b>1,076,009</b>	100%	

Meter Capacity Equivalent	<b>3,994</b>	<b>104</b>	<b>84</b>	<b>17</b>	<b>5</b>	<b>2</b>	<b>4,206</b>	
Rates per Meter Size	<b>\$ 20.28</b>	<b>\$ 32.46</b>	<b>\$ 40.57</b>	<b>\$ 60.85</b>	<b>\$ 101.42</b>	<b>\$ 162.48</b>		
Revenues Generated	<b>\$ 972,211</b>	<b>\$ 40,505</b>	<b>\$ 40,894</b>	<b>\$ 12,414</b>	<b>\$ 6,085</b>	<b>\$ 3,900</b>	<b>\$ 1,076,009</b>	
Revenue Percent Change	2.52%	2.52%	2.52%	2.52%	2.52%	2.52%	2.52%	

<b>Fire Line</b>								
Fire Meter Size	2	4	6	8	10			
Fire Meter Accounts	9	57	47	14	4		131	
Fire Meter Monthly Rate	<b>\$ 6.96</b>	<b>\$ 13.90</b>	<b>\$ 27.83</b>	<b>\$ 41.74</b>	<b>\$ 55.65</b>			
Fire Line Revenues	752	9,510	15,694	7,012	2,671		35,640	

Table 11

**Monthly Service Charge Calculation by Meter Size and Capacity Equivalent**

	<b>FY18-19</b>
Net From Fixed Costs	<b>1,100,948</b>
Net to be recovered From Fixed Charges	<b>1,100,948</b>
Annual Cost per Meter EDU	<b>249.06</b>
Monthly Cost per 5/8"/3/4"/1" meter at 1.00 (Typical SFR)	<b>20.75</b>
Percent Change From Prior Year Rate	<b>\$ 20.28      2.3%</b>

User Type	FY 18-19							
	1"	1.5"	2"	3"	4"	6"	Total	%
Residential	858,758	8,368	2,491	747	0	0	870,364	79%
Multi-Family	57,782	11,158	5,977	2,989	0	0	77,906	7%
Commercial	56,287	15,940	16,438	2,242	0	1,995	92,902	8%
Municipal	10,211	0	7,970	5,230	4,981	1,995	30,388	3%
Irrigation	11,706	5,977	8,966	1,494	1,245	0	29,389	3%
	<b>994,744</b>	<b>41,444</b>	<b>41,842</b>	<b>12,702</b>	<b>6,226</b>	<b>3,990</b>	<b>1,100,948</b>	100%

<b>Meter Capacity Equivalent</b>	<b>3,994</b>	<b>104</b>	<b>84</b>	<b>17</b>	<b>5</b>	<b>2</b>	<b>4,206</b>
<b>Rates per Meter Size</b>	<b>\$ 20.75</b>	<b>\$ 33.21</b>	<b>\$ 41.51</b>	<b>\$ 62.26</b>	<b>\$ 103.77</b>	<b>\$ 166.25</b>	
<b>Revenues Generated</b>	<b>\$ 994,744</b>	<b>\$ 41,444</b>	<b>\$ 41,842</b>	<b>\$ 12,702</b>	<b>\$ 6,226</b>	<b>\$ 3,990</b>	<b>\$ 1,100,948</b>
<b>Revenue Percent Change</b>	2.32%	2.32%	2.32%	2.32%	2.32%	2.32%	2.32%

<b>Fire Line</b>							
<b>Fire Meter Size</b>	2	4	6	8	10		
<b>Fire Meter Accounts</b>	9	57	47	14	4		131
<b>Fire Meter Monthly Rate</b>	<b>\$ 7.13</b>	<b>\$ 14.23</b>	<b>\$ 28.47</b>	<b>\$ 42.71</b>	<b>\$ 56.94</b>		
<b>Fire Line Revenues</b>	770	9,731	16,057	7,175	2,733		36,466

**Table 12**

<b>Variable Volume Rate Calculation per 1,000 gallons per unit (Kg)</b>							
<b>User Type</b>	<b>FY 13-14 Adjusted (July 2013 to June 2014)</b>		<b>Projected Change in Usage</b>				
	<b>Total Annual Usage (in Kg)</b>	<b>% of Total</b>	<b>FY 14-15 Projected</b>	<b>FY 15-16 Projected</b>	<b>FY 16-17 Projected</b>	<b>FY 17-18 Projected</b>	<b>FY 18-19 Projected</b>
<b>Base Rate per Kg [1]</b>	\$ 5.10		\$ 5.23	\$ 5.43	\$ 5.74	\$ 6.07	\$ 6.33
Residential	394,733	56%	394,529	392,084	368,974	368,974	368,974
Multi-Family	101,342	14%	101,342	100,662	94,729	94,729	94,729
Commercial	93,002	13%	93,002	92,378	86,933	86,933	86,933
Municipal	66,092	9%	66,092	65,648	61,779	61,779	61,779
Irrigation, Fire & Hydrant	45,907	7%	45,907	45,599	42,911	42,911	42,911
<b>Annual Use in Kg</b>	<b>701,076</b>	<b>100%</b>	<b>700,872</b>	<b>696,371</b>	<b>655,326</b>	<b>655,326</b>	<b>655,326</b>
			<b>-0.1%</b>	<b>-2.7%</b>	<b>-5.9%</b>	<b>0.0%</b>	<b>0.0%</b>
<b>Estimated Annual Revenues from volume rates</b>	<b>\$ 3,575,488</b>		<b>\$ 3,662,750</b>	<b>\$ 3,783,460</b>	<b>\$ 3,760,339</b>	<b>\$ 3,977,832</b>	<b>\$ 4,149,497</b>

[1] Volume rate per Kg will vary by user category due to use factor and conservation tiers



**Options for Conservation For Residential Users - All in Monthly Kg**

**Table 13**

Block by Percentiles			2014 Residential Use						Current Tiers & Rates					
			# Acct	% of Total	Prctl	Annual Use in Kg	% of Total	Prctl	Tiers		Revenues			
Blk #	Start in Kg	End in Kg							#Acct	KG	Rate per Kg			
1	0	2	448	12.9%	12.9%	7,195	1.8%	1.8%	<b>Tier 1</b>	<b>0 to 6</b>	Rate per Kg	<b>\$ 3.59</b>		
2	3	4	445	12.8%	25.7%	20,402	5.2%	7.0%	#Accts/Kg	1,449	<b>66,612</b>	Kg	66,612	\$ 239,137
3	5	6	556	16.0%	41.7%	39,015	9.9%	16.9%	%	41.7%	16.9%	70.4%		
4	7	8	510	14.7%	56.4%	47,462	12.0%	28.9%	<b>Tier 2</b>	<b>7 to 18</b>	<b>1.702</b>	<b>\$ 6.11</b>		
5	9	10	408	11.7%	68.1%	48,267	12.2%	41.1%	#Accts/Kg	1,747	<b>233,517</b>	Kg at 6	125,784	\$ 451,565
6	11	12	349	10.0%	78.2%	49,607	12.6%	53.7%	%	50.3%	59.2%	Kg remaining	107,733	\$ 658,249
7	13	14	220	6.3%	84.5%	36,536	9.3%	63.0%				119.8%	<b>233,517</b>	
8	15	16	151	4.3%	88.8%	28,875	7.3%	70.3%						
9	17	18	109	3.1%	92.0%	22,770	5.8%	76.0%						
10	19	20	47	1.4%	93.3%	11,136	2.8%	78.9%	<b>Tier 3</b>	<b>19+</b>	<b>2.125</b>	<b>\$ 7.63</b>		
11	21	22	61	1.8%	95.1%	16,174	4.1%	83.0%	#Accts/Kg	279	<b>94,595</b>	Kg at 6	20,088	\$ 72,116
12	23	24	43	1.2%	96.3%	12,093	3.1%	86.0%	%	8.0%	24.0%	Kg at 12	40,176	\$ 245,475
13	25	+	128	3.7%	100.0%	55,192	14.0%	100.0%				Kg remaining	34,331	\$ 261,946
												149.6%	<b>94,595</b>	
			3,475			394,724				3,475	394,724	<b>Total Est at Current Rates \$ 1,928,487</b>		
												<b>Average Rate</b>	<b>\$ 4.89</b>	
												<b>Current Base Rate</b>	<b>\$ 5.10</b>	

**Options for Conservation For Residential Users - All in Monthly Kg**

**Table 13**

**Option A** - Current tiers and ratios with uniform rate change.  
 Overall residential rate increase is greater due to correction of allocation of costs from prior rates.

Maintain Current Tier Structure and rate ratios - Adjust all Rates by same percent increase with no ratio adjustments

Projected Usage Rate Change  
 Base Rate per Kg **5.23**  
 % Change Avg Actual **7.0%**

Block by Percentiles			2014 Residential Use						Tiers		Revenues		
Blk #	Start in Kg	End in Kg	# Acct	% of Total	Prctl	Annual Use in Kg	% of Total	Prctl	#Acct	KG	Rate per Kg		
1	0	2	448	12.9%	12.9%	7,195	1.8%	1.8%	<b>Tier 1</b>	<b>0 to 6</b>	<b>\$ 3.84</b>	<b>7.0%</b>	
2	3	4	445	12.8%	25.7%	20,402	5.2%	7.0%	#Accts/Kg	1,449	66,612		
3	5	6	556	16.0%	41.7%	39,015	9.9%	16.9%	%	41.7%	16.9%		
4	7	8	510	14.7%	56.4%	47,462	12.0%	28.9%			<b>1.702</b>	<b>\$ 6.54</b>	<b>7.0%</b>
5	9	10	408	11.7%	68.1%	48,267	12.2%	41.1%	<b>Tier 2</b>	<b>7 to 18</b>			
6	11	12	349	10.0%	78.2%	49,607	12.6%	53.7%	#Accts/Kg	1,747	233,517		
7	13	14	220	6.3%	84.5%	36,536	9.3%	63.0%	%	50.3%	59.2%		
8	15	16	151	4.3%	88.8%	28,875	7.3%	70.3%					
9	17	18	109	3.1%	92.0%	22,770	5.8%	76.0%					
10	19	20	47	1.4%	93.3%	11,136	2.8%	78.9%	<b>Tier 3</b>	<b>19+</b>	<b>2.125</b>	<b>\$ 8.16</b>	<b>6.9%</b>
11	21	22	61	1.8%	95.1%	16,174	4.1%	83.0%	#Accts/Kg	279	94,595		
12	23	24	43	1.2%	96.3%	12,093	3.1%	86.0%	%	8.0%	24.0%		
13	25	+	128	3.7%	100.0%	55,192	14.0%	100.0%					
			3,475			394,724			3,475	394,724	<b>Total Est at Current Rates</b>		<b>2,062,778</b>
											<b>Average Rate</b>	<b>\$ 5.23</b>	

**Options for Conservation For Residential Users - All in Monthly Kg**

**Table 13**

**Option B - Adjust tier 1 lower and increase ratios in other tiers**

Block by Percentiles			2014 Residential Use						Maintain Current Tier Structure and Adjust rate ratios - Adjust Tier 1 lower and increase ratios in other Tiers			Projected Usage Rate Change		
			# Acct	% of Total	Prctl	Annual Use in Kg	% of Total	Prctl	Tiers			Base Rate per Kg	% Change Avg Actual	
Blk #	Start in Kg	End in Kg							#Acct	KG	Revenues			
1	0	2	448	12.9%	12.9%	7,195	1.8%	1.8%	<b>Tier 1</b>	<b>0 to 6</b>	Rate per Kg	<b>\$ 3.68</b>	<b>2.5%</b>	
2	3	4	445	12.8%	25.7%	20,402	5.2%	7.0%	#Accts/Kg	1,449	66,612	Kg	66,612	\$ 245,045
3	5	6	556	16.0%	41.7%	39,015	9.9%	16.9%	%	41.7%	16.9%	70.4%		
4	7	8	510	14.7%	56.4%	47,462	12.0%	28.9%	<b>Tier 2</b>	<b>7 to 18</b>	<b>1.670</b>	<b>\$ 6.57</b>	<b>7.6%</b>	
5	9	10	408	11.7%	68.1%	48,267	12.2%	41.1%	#Accts/Kg	1,747	233,517	Kg at 6	125,784	462,720
6	11	12	349	10.0%	78.2%	49,607	12.6%	53.7%	%	50.3%	59.2%	Kg remaining	107,733	707,952
7	13	14	220	6.3%	84.5%	36,536	9.3%	63.0%				125.7%	<b>233,517</b>	
8	15	16	151	4.3%	88.8%	28,875	7.3%	70.3%						
9	17	18	109	3.1%	92.0%	22,770	5.8%	76.0%						
10	19	20	47	1.4%	93.3%	11,136	2.8%	78.9%	<b>Tier 3</b>	<b>19+</b>	<b>2.300</b>	<b>\$ 9.05</b>	<b>18.6%</b>	
11	21	22	61	1.8%	95.1%	16,174	4.1%	83.0%	#Accts/Kg	279	94,595	Kg at 6	20,088	73,897
12	23	24	43	1.2%	96.3%	12,093	3.1%	86.0%	%	8.0%	24.0%	Kg at 12	40,176	264,011
13	25	+	128	3.7%	100.0%	55,192	14.0%	100.0%				Kg remaining	34,331	310,708
												173.2%	<b>94,595</b>	
			3,475			394,724			3,475	394,724	<b>Total Est at Current Rates</b>			<b>2,064,333</b>
									<b>Average Rate</b>			<b>\$ 5.23</b>		

**Options for Conservation For Residential Users - All in Monthly Kg**

**Table 13**

**Option C Recommended - Create 4 tiers, keep tier 1 rate same as current and tier 2 with minimal increase. Adjust ratios in tiers 3 and 4 to increase conservation incentive**

**Create 4 Tier Structure and Adjust rate ratios - Minor increase in Tiers 1 & 2 and significant adjustment ratios Tiers 3 & 4**

**Projected Usage Rate Change**  
 Base Rate per Kg \$ **5.23**  
 % Change Avg Actual **7.0%**

Block by Percentiles			2014 Residential Use						Tiers		Revenues		
Blk #	Start in Kg	End in Kg	# Acct	% of Total	Prctl	Annual Use in Kg	% of Total	Prctl	#Acct	KG	Rate per Kg		
1	0	2	448	12.9%	12.9%	7,195	1.8%	1.8%	<b>Tier 1</b>	<b>0 to 6</b>	\$ <b>3.59</b>		<b>0.0%</b>
2	3	4	445	12.8%	25.7%	20,402	5.2%	7.0%	#Accts/Kg	1,449	66,612		\$ 239,137
3	5	6	556	16.0%	41.7%	39,015	9.9%	16.9%	%	41.7%	16.9%	<b>100.0%</b>	
4	7	8	510	14.7%	56.4%	47,462	12.0%	28.9%	<b>Tier 2</b>	<b>7 to 12</b>	<b>1.640</b>	\$ <b>6.30</b>	<b>3.1%</b>
5	9	10	408	11.7%	68.1%	48,267	12.2%	41.1%	#Accts/Kg	1,267	145,336	Tier 1 6 Kg	91,224 327,494
6	11	12	349	10.0%	78.2%	49,607	12.6%	53.7%	%	36.5%	36.8%	Kg remaining	54,112 340,783
												<b>120.5%</b>	145,336
7	13	14	220	6.3%	84.5%	36,536	9.3%	63.0%	<b>Tier 3</b>	<b>13 to 18</b>	<b>1.840</b>	\$ <b>7.07</b>	<b>15.6%</b>
8	15	16	151	4.3%	88.8%	28,875	7.3%	70.3%	#Accts/Kg	480	88,181	Tier 1 6 Kg	34,560 124,070
9	17	18	109	3.1%	92.0%	22,770	5.8%	76.0%	%	13.8%	22.3%	Tier 2 6 Kg	34,560 217,649
												Kg remaining	19,061 134,680
												<b>135.2%</b>	88,181
10	19	20	47	1.4%	93.3%	11,136	2.8%	78.9%	<b>Tier 4</b>	<b>19+</b>	<b>2.660</b>	\$ <b>10.21</b>	<b>33.9%</b>
11	21	22	61	1.8%	95.1%	16,174	4.1%	83.0%	#Accts/Kg	279	94,595	Tier 1 6 Kg	20,088 72,116
12	23	24	43	1.2%	96.3%	12,093	3.1%	86.0%	%	8.0%	24.0%	Tier 2 6 Kg	20,088 126,509
13	25	+	128	3.7%	100.0%	55,192	14.0%	100.0%				<b>Tier 3 6 Kg</b>	<b>20,088 141,937</b>
												Kg remaining	<b>34,331 350,678</b>
												<b>195.5%</b>	94,595
			3,475			394,724				2,995	394,724	<b>Total Est at Current Rates</b>	<b>2,075,052</b>
												<b>Average Rate</b>	\$ <b>5.26</b>

**Sensitivity Analysis of potential impact of conservation rates in tiers 3 and 4**

	Kg	%	Revenues	Kg Reductions in Tiers 3 & 4					Revenue Reduction in Tiers 3 & 4								
				10%	20%	30%	40%	50%	10%	20%	30%	40%	50%				
Tier 1	212,484	53.8%	\$ 762,818														
Tier 2	108,760	27.6%	684,941														
Tier 3	39,149	9.9%	276,617	3,915	7,830	11,745	15,660	19,575	27,662	55,323	82,985	110,647	138,308				
Tier 4	34,331	8.7%	350,678	3,433	6,866	10,299	13,732	17,166	35,068	70,136	105,203	140,271	175,339				
	<b>394,724</b>	<b>100.0%</b>	<b>\$ 2,075,052</b>	<b>7,348</b>	<b>14,696</b>	<b>22,044</b>	<b>29,392</b>	<b>36,740</b>	<b>62,729</b>	<b>125,459</b>	<b>188,188</b>	<b>250,918</b>	<b>313,647</b>				
% of totals				1.9%	3.7%	5.6%	7.4%	9.3%	3.0%	6.0%	9.1%	12.1%	15.1%				

SCWA calculated rate per Kg	\$ 2.42	\$ 2.51	\$ 2.61	\$ 2.72	\$ 2.83
SCWA Cost Reduction	(17,782)	(36,887)	(57,535)	(79,946)	(103,974)
<b>Net Potential reduction in Revenues</b>	<b>44,947</b>	<b>88,572</b>	<b>130,653</b>	<b>170,971</b>	<b>209,673</b>

Conservation For Multi-Family and Commercial Users - All in Monthly Kg

Table 14

2014 Multi Family Use												Projected Usage Rate Change							
Block by Percentiles												Base Rate per Kg	4.44						
												% Change Avg Actual	-3.2%						
Blk #	Start in Kg	End in Kg	# Acct	% of Total	Prctl	# Units	% of Total	Prctl	Annual Use in Kg	% of Total	Prctl	Tiers			Revenues				
												#Acct	Units	KG					
1	0	9	82	29.7%	29.7%	172	8.47%	8.47%	5,305	5.2%	5.2%	Tier 1	0 to 26						
2	10	12	40	14.5%	44.2%	94	4.63%	13.10%	5,075	5.0%	10.2%			199	496	26,069	93.0%	\$ 4.13	-10.0%
3	13	15	32	11.6%	55.8%	71	3.50%	16.60%	5,190	5.1%	15.4%			72%	24%	26%	Kg	26,069	\$ 107,695
4	16	20	26	9.4%	65.2%	80	3.94%	20.54%	5,393	5.3%	20.7%								
5	21	26	19	6.9%	72.1%	79	3.89%	24.43%	5,106	5.0%	25.7%								
6	27	34	15	5.4%	77.5%	97	4.78%	29.21%	5,296	5.2%	30.9%	Tier 2	27 to 78						
7	35	41	12	4.3%	81.9%	85	4.19%	33.40%	5,329	5.3%	36.2%			50	428	25,701	106%	\$ 4.71	2.6%
8	42	48	9	3.3%	85.1%	112	5.52%	38.92%	4,782	4.7%	40.9%			18%	21%	25%	Kg at 26	15,600	64,446
9	49	65	9	3.3%	88.4%	80	3.94%	42.86%	5,800	5.7%	46.6%						Kg remaining	10,101	47,562
10	66	78	5	1.8%	90.2%	54	2.66%	45.52%	4,494	4.4%	51.1%							25,701	
11	79	187	18	6.5%	96.7%	522	25.71%	71.23%	25,957	25.6%	76.7%	Tier 3	79 +						
12	188+		9	3.3%	100.0%	584	28.77%	100.00%	23,615	23.3%	100.0%			27	1106	49,572	120%	\$ 4.96	8.0%
														10%	54%	49%	Kg at 26	8,424	34,801
																	Kg at 52	16,848	79,331
																	Kg remaining	24,300	120,464
																		49,572	
			276			2,030			101,342					276	2,030	101,342			454,298
																			450,171
																			0.9%

	Kg	Revenues	Kg Reductions in Tier 3					
			10%	20%	30%	40%	50%	
Tier 1	50,093	49.4%	\$ 206,941	45.6%				
Tier 2	26,949	26.6%	126,893	27.9%				
Tier 3	24,300	24.0%	120,464	26.5%	2,430	4,860	7,290	9,720
	101,342	100.0%	\$ 454,298	100.0%	2,430	4,860	7,290	9,720
% of totals					2.4%	4.8%	7.2%	9.6%

	Revenue Reduction in Tier 3				
	10%	20%	30%	40%	50%
Tier 1					
Tier 2					
Tier 3	12,046	24,093	36,139	48,186	60,232
	12,046	24,093	36,139	48,186	60,232
% of totals	2.7%	5.3%	8.0%	10.6%	13.3%

SCWA Cost Reduction	\$ 2.42	\$ 2.51	\$ 2.61	\$ 2.72	\$ 2.83
	(5,881)	(12,199)	(19,027)	(26,438)	(34,385)
<b>Net Loss</b>	<b>6,166</b>	<b>11,894</b>	<b>17,112</b>	<b>21,747</b>	<b>25,848</b>

Conservation For Multi-Family and Commercial Users - All in Monthly Kg

Table 14

2014 Commercial Use									Projected Usage Rate Change										
Block by Percentiles									Base Rate per Kg	5.49									
									% Change Avg Actual	7.6%									
Blk #	Start in Kg	End in Kg	# Acct	% of Total	Prctl	Annual Use in Kg	% of Total	Prctl	Tiers	Revenues									
									#Acct	KG									
1	0	7	126	41.6%	41.6%	4,644	5.0%	5.0%	Tier 1 0 to 25	0 to 25	23,101	95.0%	\$ 5.21	2.2%					
2	8	12	39	12.9%	54.5%	4,571	4.9%	9.9%							231	25%	Kg 23,101 \$ 120,424		
3	13	16	27	8.9%	63.4%	4,669	5.0%	14.9%							84%				
4	17	21	22	7.3%	70.6%	4,586	4.9%	19.9%											
5	22	25	17	5.6%	76.2%	4,631	5.0%	24.8%											
6	26	33	13	4.3%	80.5%	4,627	5.0%	29.8%	Tier 2 26 to 61	26 to 61	23,625	100%	\$ 5.49	7.6%					
7	34	39	11	3.6%	84.2%	4,756	5.1%	34.9%							48	25%	Kg at 25 14,400 75,066		
8	40	42	9	3.0%	87.1%	4,381	4.7%	39.6%							17%	Kg remaining 9,225 50,620			
9	43	52	9	3.0%	90.1%	5,104	5.5%	45.1%											
10	53	61	6	2.0%	92.1%	4,757	5.1%	50.2%											
11	62	172	17	5.6%	97.7%	22,296	24.0%	74.2%	Tier 3 62+	62+	46,276	115%	\$ 5.99	17.5%					
12	173 +		7	2.3%	100.0%	23,980	25.8%	100.0%							24	50%	Kg at 25 7,200 37,533		
															9%	Kg at 61 17,568 96,401			
												Kg remaining 21,508 128,938							
												46,276							
			303				93,002				303	93,002	508,982						
												510,329							
												-0.3%							

	Kg	Revenues	Kg Reductions in Tier 3						
			10%	20%	30%	40%	50%		
Tier 1	44,701	48.1%	\$ 233,023	45.8%					
Tier 2	26,793	28.8%	147,021	28.9%					
Tier 3	21,508	23.1%	128,938	25.3%	2,151	4,302	6,452	8,603	10,754
	<b>93,002</b>	<b>100.0%</b>	<b>\$ 508,982</b>	<b>100.0%</b>	<b>2,151</b>	<b>4,302</b>	<b>6,452</b>	<b>8,603</b>	<b>10,754</b>
% of totals					2.3%	4.6%	6.9%	9.3%	11.6%

	Revenue Reduction in Tier 3				
	10%	20%	30%	40%	50%
Tier 1					
Tier 2					
Tier 3	12,894	25,788	38,681	51,575	64,469
	<b>12,894</b>	<b>25,788</b>	<b>38,681</b>	<b>51,575</b>	<b>64,469</b>
% of totals	2.5%	5.1%	7.6%	10.1%	12.7%

SCWA Cost Reduction	\$ 2.42	\$ 2.51	\$ 2.61	\$ 2.72	\$ 2.83
	(5,205)	(10,797)	(16,841)	(23,401)	(30,434)
<b>Net Loss</b>	<b>7,689</b>	<b>14,990</b>	<b>21,841</b>	<b>28,174</b>	<b>34,035</b>

Examples of Rate Changes for Monthly costs

Table 15

Current Rates

FY 14-15 FY 15-16 FY 16-17 FY 17-18 FY 18-19

Single Family

			Current Rates	FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19	
<b>Meter Charge</b>	<b>5/8, 3/4 or 1"</b>		<b>15.35</b>	\$ 17.10	\$ 17.33	\$ 19.79	\$ 20.28	\$ 20.75	
<b>Use Charge in Kg</b>									
	<b>Current</b>	<b>Option C</b>							
Tier 1	0 - 6	0 - 6	\$ 3.59	\$ 3.59	\$ 3.73	\$ 3.94	\$ 4.17	\$ 4.35	
Tier 2	7-18	7 - 12	\$ 6.11	\$ 6.30	\$ 6.55	\$ 6.91	\$ 7.31	\$ 7.63	
Tier 3	19 +	13 - 18	\$ 7.63	\$ 7.07	\$ 7.35	\$ 7.76	\$ 8.21	\$ 8.56	
Tier 4		19 +		\$ 10.21	\$ 10.62	\$ 11.22	\$ 11.86	\$ 12.38	
<b>Low use - 25% percential</b>									
<b>Meter Charge</b>			15.35	17.10	17.33	19.79	20.28	20.75	
<b>Use Charge in Kg</b>									
Tier 1	6	6	21.54	21.54	22.39	23.65	25.02	26.10	
Tier 2	2	2	12.22	12.60	13.09	13.83	14.63	15.26	
Tier 3	0	0	-	-	-	-	-	-	
Tier 4		0		-	-	-	-	-	
	<b>8</b>	<b>8</b>	<b>\$ 49.11</b>	<b>\$ 51.24</b>	<b>\$ 52.81</b>	<b>\$ 57.27</b>	<b>\$ 59.93</b>	<b>\$ 62.11</b>	
				<b>4%</b>	<b>3%</b>	<b>8%</b>	<b>5%</b>	<b>4%</b>	<b>26%</b>
<b>Mid use - 50% percential</b>									
<b>Meter Charge</b>			15.35	17.10	17.33	19.79	20.28	20.75	
<b>Use Charge in Kg</b>									
Tier 1	6	6	21.54	21.54	22.39	23.65	25.02	26.10	
Tier 2	7	6	42.77	37.79	39.28	41.49	43.89	45.78	
Tier 3	0	1	-	7.07	7.35	7.76	8.21	8.56	
Tier 4		0		-	-	-	-	-	
	<b>13</b>	<b>13</b>	<b>\$ 79.66</b>	<b>\$ 83.49</b>	<b>\$ 86.35</b>	<b>\$ 92.68</b>	<b>\$ 97.40</b>	<b>\$ 101.20</b>	
				<b>5%</b>	<b>3%</b>	<b>7%</b>	<b>5%</b>	<b>4%</b>	<b>27%</b>
<b>High use - 80% percential</b>									
<b>Meter Charge</b>			15.35	17.10	17.33	19.79	20.28	20.75	
<b>Use Charge in Kg</b>									
Tier 1	6	6	21.54	21.54	22.39	23.65	25.02	26.10	
Tier 2	12	6	73.32	37.79	39.28	41.49	43.89	45.78	
Tier 3	3	6	22.89	42.39	44.07	46.55	49.24	51.37	
Tier 4		3		30.64	31.86	33.65	35.59	37.13	
	<b>21</b>	<b>21</b>	<b>\$ 133.10</b>	<b>\$ 149.47</b>	<b>\$ 154.94</b>	<b>\$ 165.12</b>	<b>\$ 174.03</b>	<b>\$ 181.13</b>	
				<b>12%</b>	<b>4%</b>	<b>7%</b>	<b>5%</b>	<b>4%</b>	<b>36%</b>

Examples of Rate Changes for Monthly costs

Table 15

		Current Rates	FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19	
<b>Multi- Family</b>								
Meter Charge	5/8, 3/4 or 1"	\$ 15.35	\$ 17.10	\$ 17.33	\$ 19.79	\$ 20.28	\$ 20.75	
	1	\$ 18.42	\$ 17.10	\$ 17.33	\$ 19.79	\$ 20.28	\$ 20.75	
	1.5	\$ 24.58	\$ 26.09	\$ 26.43	\$ 30.18	\$ 30.94	\$ 31.66	
	2	\$ 30.72	\$ 32.60	\$ 33.03	\$ 37.72	\$ 38.67	\$ 39.57	
	3	\$ 46.07	\$ 48.90	\$ 49.55	\$ 56.58	\$ 58.01	\$ 59.35	
	4	\$ 76.78	\$ 81.50	\$ 82.58	\$ 94.30	\$ 96.68	\$ 98.92	
<b>Use Charge in Kg</b>								
Base Use Charge in Kg		\$ 4.59	\$ 4.44	\$ 4.35	\$ 4.59	\$ 4.86	\$ 5.07	
Tier 1	0 to 26		\$ 4.13	\$ 4.04	\$ 4.27	\$ 4.52	\$ 4.71	
Tier 2	27 to 78		\$ 4.71	\$ 4.61	\$ 4.87	\$ 5.15	\$ 5.37	
Tier 3	79+		\$ 4.96	\$ 4.85	\$ 5.12	\$ 5.42	\$ 5.65	
<b>Very Low use - 2 Units at 12% percentile</b>								
Meter Charge	5/8	\$ 15.35	\$ 17.10	\$ 17.33	\$ 19.79	\$ 20.28	\$ 20.75	
Use Charge in Kg	13							
Tier 1	13	\$ 59.67	53.70	52.55	55.50	58.71	61.24	
Tier 2	0		-	-	-	-	-	
Tier 3	0		-	-	-	-	-	
	<b>13</b>	<b>\$ 75.02</b>	<b>\$ 70.81</b>	<b>\$ 69.87</b>	<b>\$ 75.29</b>	<b>\$ 78.99</b>	<b>\$ 82.00</b>	
			-6%	-1%	8%	5%	4%	9%
<b>Low use - 8 units at 25% percentile</b>								
Meter Charge	1.5	\$ 24.58	\$ 26.09	\$ 26.43	\$ 30.18	\$ 30.94	\$ 31.66	
Use Charge in Kg	25							
Tier 1	25	\$ 114.75	103.28	101.06	106.73	112.90	117.77	
Tier 2	0		-	-	-	-	-	
Tier 3	0		-	-	-	-	-	
	<b>25</b>	<b>\$ 139.33</b>	<b>\$ 129.37</b>	<b>\$ 127.49</b>	<b>\$ 136.91</b>	<b>\$ 143.85</b>	<b>\$ 149.44</b>	
			-7%	-1%	7%	5%	4%	7%
<b>Mid use - 12 Units at 50% percentile</b>								
Meter Charge	2	\$ 30.72	\$ 32.60	\$ 33.03	\$ 37.72	\$ 38.67	\$ 39.57	
Use Charge in Kg	77	\$ 353.43						
Tier 1	26		107.41	105.10	111.00	117.42	122.49	
Tier 2	51		240.14	234.97	248.16	262.52	273.84	
Tier 3	0		-	-	-	-	-	
	<b>77</b>	<b>\$ 384.15</b>	<b>\$ 380.15</b>	<b>\$ 373.10</b>	<b>\$ 396.89</b>	<b>\$ 418.61</b>	<b>\$ 435.90</b>	
			-1%	-2%	6%	5%	4%	13%
<b>High use - 30 Units at 80% percentile</b>								
Meter Charge	4	\$ 76.78	\$ 81.50	\$ 82.58	\$ 94.30	\$ 96.68	\$ 98.92	
Use Charge in Kg	194	\$ 890.46						
Tier 1	26		107.41	105.10	111.00	117.42	122.49	
Tier 2	52		244.85	239.58	253.03	267.66	279.21	
Tier 3	116		575.06	562.68	594.27	628.64	655.77	
	<b>194</b>	<b>\$ 967.24</b>	<b>\$ 1,008.82</b>	<b>\$ 989.93</b>	<b>\$ 1,052.60</b>	<b>\$ 1,110.40</b>	<b>\$ 1,156.39</b>	
			4%	-2%	6%	5%	4%	20%
<b>Very High use - 100 Units at 95% percentile</b>								
Meter Charge	3	\$ 46.07	\$ 48.90	\$ 49.55	\$ 56.58	\$ 58.01	\$ 59.35	
Use Charge in Kg	237	\$ 1,087.83						
Tier 1	26		107.41	105.10	111.00	117.42	122.49	
Tier 2	52		244.85	239.58	253.03	267.66	279.21	
Tier 3	159		788.22	771.26	814.56	861.67	898.85	
	<b>237</b>	<b>\$ 1,133.90</b>	<b>\$ 1,189.38</b>	<b>\$ 1,165.48</b>	<b>\$ 1,235.17</b>	<b>\$ 1,304.76</b>	<b>\$ 1,359.91</b>	
			5%	-2%	6%	6%	4%	20%

Examples of Rate Changes for Monthly costs

Table 15

		Current Rates	FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19	
<b>Commercial</b>								
Meter Charge	5/8, 3/4 or 1"	\$ 15.35	\$ 17.10	\$ 17.33	\$ 19.79	\$ 20.28	\$ 20.75	
	1	\$ 18.42	\$ 17.10	\$ 17.33	\$ 19.79	\$ 20.28	\$ 20.75	
	1.5	\$ 24.58	\$ 26.09	\$ 26.43	\$ 30.18	\$ 30.94	\$ 31.66	
	2	\$ 30.72	\$ 32.60	\$ 33.03	\$ 37.72	\$ 38.67	\$ 39.57	
<b>Use Charge in Kg</b>								
Base Use Charge in Kg		\$ 5.10	\$ 5.49	\$ 5.98	\$ 6.60	\$ 6.98	\$ 7.28	
Tier 1	0 to 25		\$ 5.21	\$ 5.68	\$ 6.27	\$ 6.63	\$ 6.92	
Tier 2	26 to 61		\$ 5.49	\$ 5.98	\$ 6.60	\$ 6.98	\$ 7.28	
Tier 3	62+		\$ 5.99	\$ 6.53	\$ 7.21	\$ 7.63	\$ 7.96	
<b>Very Low use - Dentist Office at 3% percentile</b>								
Meter Charge	5/8	\$ 15.35	\$ 17.10	\$ 17.33	\$ 19.79	\$ 20.28	\$ 20.75	
Use Charge in Kg	5	\$ 25.50						
Tier 1	5		26.06	28.39	31.34	33.16	34.59	
Tier 2			-	-	-	-	-	
Tier 3			-	-	-	-	-	
	<b>5</b>	<b>\$ 40.85</b>	<b>\$ 43.17</b>	<b>\$ 45.71</b>	<b>\$ 51.13</b>	<b>\$ 53.44</b>	<b>\$ 55.34</b>	
			6%	6%	12%	5%	4%	35%
<b>Low use - Gas Station at 25% percentile</b>								
Meter Charge	1	\$ 18.42	\$ 17.10	\$ 17.33	\$ 19.79	\$ 20.28	\$ 20.75	
Use Charge in Kg	25	\$ 127.50						
Tier 1	25		130.32	141.94	156.72	165.79	172.94	
Tier 2			-	-	-	-	-	
Tier 3			-	-	-	-	-	
	<b>25</b>	<b>\$ 145.92</b>	<b>\$ 147.42</b>	<b>\$ 159.27</b>	<b>\$ 176.51</b>	<b>\$ 186.07</b>	<b>\$ 193.70</b>	
			1%	8%	11%	5%	4%	33%
<b>Mid use - Restaurant at 50% percentile</b>								
Meter Charge	1.5	\$ 24.58	\$ 26.09	\$ 26.43	\$ 30.18	\$ 30.94	\$ 31.66	
Use Charge in Kg	61	\$ 311.10						
Tier 1	25		130.32	141.94	156.72	165.79	172.94	
Tier 2	36		197.54	215.15	237.56	251.30	262.14	
Tier 3			-	-	-	-	-	
	<b>61</b>	<b>\$ 335.68</b>	<b>\$ 353.95</b>	<b>\$ 383.52</b>	<b>\$ 424.46</b>	<b>\$ 448.03</b>	<b>\$ 466.75</b>	
			5%	8%	11%	6%	4%	39%
<b>High use - Visitor Accomodation at 80% percentile</b>								
Meter Charge	2	\$ 30.72	\$ 32.60	\$ 33.03	\$ 37.72	\$ 38.67	\$ 39.57	
Use Charge in Kg	224	\$ 1,142.40						
Tier 1	25		130.32	141.94	156.72	165.79	172.94	
Tier 2	36		197.54	215.15	237.56	251.30	262.14	
Tier 3	163		977.16	1,064.27	1,175.10	1,243.07	1,296.72	
	<b>224</b>	<b>\$ 1,173.12</b>	<b>\$ 1,337.63</b>	<b>\$ 1,454.39</b>	<b>\$ 1,607.11</b>	<b>\$ 1,698.83</b>	<b>\$ 1,771.37</b>	
			14%	9%	11%	6%	4%	51%

**Connection Fee Update**

**Table 16**

In December 2007, the City Council adopted Resolution 46-2007 that implemented the 2007 Connection Charge and Rate Study recommendations and set connection fees charged to new, changed or expanded water service connections. The connection fees have not been updated since 2007 and should be adjusted to reflect current & projected construction cost increases, which the fees are based on.

The 2007 Study also recommended that the fees be adjusted annually based on the standard Engineering News Record Construction Cost Index percent change for the San Francisco Bay area averaged over a three year period. This recommendation was not implemented in Resolution 46-2007 and is proposed to be implemented in this 2014 Water Rate Study.

**Engineering News Record Construction Cost Index for the San Francisco Bay area ([www.enr.construction.com/economics](http://www.enr.construction.com/economics))**

	Index	Annual Percent Change
<b>Annual Index &amp; Percent Change</b>		
July 2007	4,986.64	
July 2008	5,313.85	6.56%
July 2009	5,464.31	2.83%
July 2010	5,600.24	2.49%
July 2011	5,923.27	5.77%
July 2012	6,039.21	1.96%
July 2013	6,048.77	0.16%
July 2014	6,229.80	2.99%

Percent Change from 2007	Index	Annual Percent Change	Updated from 2007	Example of Projected Annual Percent Change [1]				
Three Year Average - 2012, 2013 & 2014	6105.93	22.45%	22.45%	2.00%	2.00%	2.00%	2.00%	2.00%

	Current Rates	FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19
<b>Front Footage Charge [2]</b>	\$ 49	\$ 60	\$ 61	\$ 62	\$ 64	\$ 65
<b>Capacity Charge [2]</b>	\$ 8,000	\$ 9,796	\$ 9,992	\$ 10,191	\$ 10,395	\$ 10,603
<b>Fire Service only Capacity Charge [2]</b>	\$ 1,798	\$ 2,202	\$ 2,246	\$ 2,291	\$ 2,336	\$ 2,383
<b>Meter and Lateral Installation Charges [2]</b>						
1" Meter	\$ 511	The Charges are proposed to be determined by the City Engineer for each installation based on the cost of meter, materials, labor and equipment for meter installation by City and a 20% administration charge.				
1.5" Meter	\$ 715					
2" Meter	\$ 944					
3" and above - regular & compound	Varies [3]					

[1] Actual percent change will be calculated each year from the July to July index change on a rolling prior three year average Engineering New Record Construction Cost Index for the San Francisco Bay area.

[2] Current basis and rates from adopted Resolution 46-2007 that implemented the 2007 Connection Charge and Rate Study.

[3] Per Resolution 46-2007 the charge shall be determined by City and shall be cost of materials, labor and equipment for meter and installation plus 20% administration charge

## Appendix

- Resolution 46-2007 Water Rate and fee increases for the period 2008 through 2012
- Resolution 02-2014 Schedule of User Fees, Licenses & Permit Charges
- State of California Government Code Section 53755 and 53756 – Changes to Rates
- Draft of City of Sonoma Resolution to adopt rate changes per 2014 Water Rate Study
- Draft of 45-Day Public Notice for Public Hearing on Rate changes

**CITY OF SONOMA**

**RESOLUTION NO. 46 - 2007**

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SONOMA,  
ADOPTING A PROGRAM OF WATER RATE AND FEE INCREASES FOR THE  
PERIOD 2008 THROUGH 2012 AND SETTING WATER RATES AND  
CONNECTION FEES TO BE EFFECTIVE FEBRUARY 1, 2008**

**WHEREAS**, the City Council has determined that certain changes in water rates and connection fees charged to customers of the City of Sonoma Water Utility are required to fund expenses incurred by the Water Utility, based on a report entitled, "City of Sonoma Year 2007 Connection Charge and Rate Study;" and

**WHEREAS**, pursuant to Proposition 218, a notice of the public hearing to be held on December 19, 2007 was mailed to all affected property owners; and

**WHEREAS**, on December 19, 2007 the City Council conducted a public hearing and gave every interested person an opportunity to make a written protest to the scheduled connection fee and rate changes as recommended in the City of Sonoma Year 2007 Connection Charge and Rate Study, and the City Council has considered each protest; and

**WHEREAS**, the City Council finds that a majority written protest against the connection fee and rate changes as recommended and listed in the City of Sonoma Year 2007 Connection Charge and Rate Study does not exist; and

**WHEREAS**, the City Council finds, based upon all evidence in the record, including without limitation the City of Sonoma Year 2007 Connection Charge and Rate Study, that the proposed water rates and charges do not exceed the estimated amount required to provide water service to properties served by the Water Utility; and

**WHEREAS**, the water rates and water connection fees do not exceed the cost of providing the service for which they are charged.

**NOW, THEREFORE, BE IT RESOLVED**, by the City Council of the City of Sonoma as follows:

**Section 1. City of Sonoma Year 2007 Connection Charge and Rate Study**

The City of Sonoma Year 2007 Connection Charge and Rate Study, including the recommended rate schedule and fees for the period 2008 through 2012, which is attached hereto and by this reference made a part hereof is hereby adopted.

**Section 2. Water Rates and Charges**

Pursuant to the authority granted in Section 13.04.120 and Sections 13.24.150 through 13.24.190 of the Municipal Code, the rates and charges set forth below are hereby adopted effective on the specified date:

A) SERVICE CHARGE (effective February 1, 2008)

<u>Meter Size</u>	<u>Bimonthly Service Charge</u>
5/8"	\$ 24.31
1"	29.19
1½"	38.94
2"	48.67
3"	72.99
4"	121.65
5"	89.62
6"	194.82
Hydrant	24.34

(B) WATER RATES (effective February 1, 2008)

1. Single Family Residential Detached Dwellings and Second Units:

Water Rate per Unit of Use\* per Bimonthly Billing Period  
(Note: 1 Unit = 1,000 gallons):

	<u>Block 1</u>	<u>Block 2</u>	<u>Block 3</u>
<u>For consumption</u>	<u>Through 12 Units</u>	<u>13 to 36 units</u>	<u>Greater than 36 units</u>
<u>Inside City Limits</u>	\$2.85	\$4.84	\$6.05
<u>Outside City Limits</u>	\$3.27	\$5.57	\$6.96

2. All Other Customer Groups:

Water Rate per Unit of Use\* per Bimonthly Billing Period  
(Note: 1 Unit = 1,000 gallons):

	<u>City Limits</u>	<u>Outside City</u>
a. Multi-family Residential Dwellings (apartment, condominium/townhouse, mobile home, duplex, triplex, fourplex, live/work):	\$4.14	\$4.76
b. Commercial, Institutional and Industrial	\$4.04	\$4.65
c. Municipal (others also) government, institutional and certain no profits	\$3.44	\$3.96
d. Irrigation Service (separately metered)	\$5.33	\$6.13
e. Hydrant (temporary meter permits)	\$5.33	\$6.13

(C) CONNECTION CHARGES (effective February 18, 2008)

The connection charge for a new service connection shall be the sum of: the front foot charge, meter charge and capacity charge. The front foot charge does not apply in cases where a main extension is required. All applicants must also provide a service lateral (pipe from main to meter) as noted in the City's Water Rate and Fee Schedule.

1. Front Foot Charge

The front foot charge shall be \$49 per linear foot of frontage on the existing main located in the street. If the lot is bounded by more than one street with mains then, the front footage shall be the sum of the front foot distances on each main divided by the number of streets with mains. If the lot is an irregular lot, such as a flag lot or inner lot the minimum front foot distance shall be 100 feet.

The minimum front footage upon which the front foot charge is based shall be 100 feet.

2. Meter and Lateral Installation Charges

The lateral is the pipeline extending from the main to the meter. The size and materials used shall be approved by the City. The lateral shall terminate in a meter box at a location approved by the City Water Department. The lateral shall be installed to meet City standards. The applicant shall hire or make arrangements for an underground contractor licensed by the State of California to install the lateral and meter box and other appurtenant and required equipment and devices (such as a backflow prevention device if deemed necessary by City). The meter, however, shall be furnished and installed by the City. Applicant shall pay a meter charge for the meter and installation as shown in the following table:

<u>Meter Size (diameter in inches)</u>	<u>Meter Charge (includes installation by City)</u>
1 - inch	\$ 511
1 1/2 inch	\$ 715
2 - inch	\$ 944
3 - inch compound and above	Note a

Note a: Charge shall be determined by City and shall be cost of materials, labor and equipment for meter and installation plus 20% administration charge.

3. Fire Service Only

In cases where required design fire flow for a given application for consumptive water service exceeds 1,000 gallons per minute (with 20 psi residual), the Capacity Charge shall be increased by \$1,798 per 100 gallons per minute of such excess.

In the cases where the applicant is only being provided fire flow and is not requesting water for consumptive purposes, the Capacity Charge shall be \$1,798 per 100 gallons per minute of design fire flow provided.

(D) CAPACITY CHARGES (effective February 1, 2008)

The capacity charge shall be calculated in terms of the demand of an equivalent single-family dwelling (ESD). An ESD is defined as the water demand for the average day of the maximum month for a typical single family detached home served by the City. The value of an ESD has been determined by the City to be 561 gallons per day. Capacity charges for residential customers and commercial, institutional and industrial customers are calculated as shown below. Note, if at any time a customer's use exceeds the estimate used in determining the capacity charge, the City may require that the customer pay an additional capacity charge at the

rate then in effect for each ESD of such excess. For connections made prior to June 6, 1999, base use shall be determined by the City from examination of historic water use records.

1. Residential Customers

For residential customers, the capacity charge is calculated by multiplying the appropriate charge in the following table times the number of equivalent dwelling units (ESDs) in that category.

Type of Residential Dwelling	Capacity Charge per dwelling unit
Single family detached dwellings (1.00 ESD)	8,000
Townhouses/condominiums, duplexes, triplexes, and fourplexes (0.80 ESD)	6,400
Mobile home (0.51 ESD)	4,080
Apartment houses (5 or more dwelling units) (0.47 ESD)	3,760
Second/accessory dwellings (dwelling on a parcel in undivided ownership (0.47 ESD)	3,760

If the area of a residential dwelling is larger than 4,000 square feet or if the area to be irrigated (excluding drip irrigation area) is greater than 2,500 square feet, the capacity charge shall be calculated as set forth in the Section entitled, "Capacity Charges – Non-Residential."

2. Non-Residential And Separately Metered Irrigation

Commercial/institutional and industrial charges shall be based on the following Equivalent Single Family Dwelling Unit ESD factors. The ESD rating for each application shall be computed by multiplying the applicable measurement units by the ESD factor(s). The capacity charge shall then be calculated by multiplying the total ESDs by the capacity charge for a single-family residential dwelling unit. If a single service connection serves both a residential and a non-residential use, or more than one non-residential use, the connection fees for each use shall be additive. The minimum ESD for each separate non-residential water service connection shall be 1.0.

Use Category	Unit of Measurement	Factor
Agricultural All agricultural uses	Each 561 gpd estimated water use during peak month	1.0
Commercial Auto dealers	Connections Service bays	1.0 0.2
Bars and taverns	Design occupancy	0.04
Business and Professional Offices	1,000 sq. ft.	1.0
Car washes (self service)	Stalls	1.0
Car washes (except self service)	Each 561 gpd estimated water use during peak month	1.0
Churches, halls and lodges	Connections	1.0
Dental offices	1,000 sq. ft.	1.0
Dry Cleaners	1,000 sq. ft.	1.5
Garages	Service bays	0.5

Use Category	Unit of Measurement	Factor
Hospitals		
Convalescent	Beds	0.3
General	Beds	0.3
Hotels/motels	Sleeping rooms	0.5
	Kitchen facilities	0.5
	Manager's living quarters	1.0
	Washing machines (laundry)	1.0
	Other facilities	*
Laundries		
Laundromats	Washing machines	1.0
Other laundries	Each 561 gpd estimated water use during peak month	
Medical offices	1,000 sq. ft.	1.0
Restaurants		
Dine-on	Design seating occupancy	0.2
Take-out	1,000 sq. ft.	2.5
Rest homes	Beds	0.3
Service stations	Gas pumps	0.5
	Service bays	0.2
Storage (self service)	1,000 sq. ft.	0.2
Theaters	Seats	0.05
Warehouse	1,000 sq. ft.	0.2
Other business and commercial development	1,000 sq. ft.	1.0
Industrial		
All industrial uses	Each 561 gpd estimated water use during peak month or 1,000 sq. ft. whichever is greater.	1.0
All other uses *	By determining use during average day of peak month and dividing by 561 gpd.	

\* To be determined by the City Manager or Designated Representative.

**(E) BACKFLOW PREVENTION DEVICE INSPECTION CHARGES (effective February 1, 2008)**

In cases where a backflow prevention device is determined by the City to be required, applicant shall hire a qualified contractor and be responsible for installing same. An inspection fee shall be charged at the current hourly rate for Public Works Inspection to each such device (typical inspection time of one hour).

Backflow prevention device required where there is a well on the property to be served and for irrigation services and certain commercial uses (check with the City Manager or Designated Representative).

**(F) REPLACEMENT OF BROKEN METER BOXES (effective February 1, 2008)**

Cost to replace meter box (broken by contractor): \$80 (up to 1" meter); \$125 (1½" & 2" meter). Cost does not include replacement of broken meter or service line. Cost does not include removal and replacement of surrounding concrete structures if present.

Charges for larger boxes shall be cost of materials, labor and equipment plus 20% administrative charges.

**(G) FIRE LINE SERVICE CHARGES (effective February 1, 2008)**

Line Size	Monthly Charge	Bimonthly Charge
2"	8.34	16.68
4"	16.68	33.36
6"	33.37	66.74
8"	50.06	100.12
10"	66.75	133.50

**(H) NEW RENTAL ACCOUNT DEPOSIT (effective February 1, 2008)**

A deposit of \$150 will be charged to all new accounts, residential or non-residential, when the person responsible for paying the water bill (applicant) is not the property owner. Said \$150 deposit shall be refunded if no final shutoff notices have been issued by the City for 24 months.

**(I) CHANGED OR EXPANDED USE (effective February 1, 2008)**

Whenever new "development" as defined in California Government Code Section 65927 (residential or non-residential) occurs on a premise with an existing water service connection, additional connection fees shall be charged as applicable under this resolution.

Whenever an expansion or change in use (non-residential) occurs on a premise with an existing water service connection, which expansion or change in use substantially increases the amount of water used through said connection as determined by the City Manager or Designated Representative, additional fees shall be charged to account for said higher usage. Said additional fees shall be based on applicable ESD factors as provided in this resolution.

**(J) PENALTIES (effective February 1, 2008)**

**1. Late charge**

A late charge of \$40 will be added to a customer's bill which is more than 35 days past due. Customers whose water is turned off for nonpayment of their bill will be charged \$165 to have their water turned back on.

**2. Unauthorized use of City water**

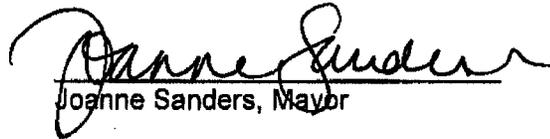
Unauthorized use of the City water at a meter will result in a penalty charge of \$75; other unauthorized uses of City water will result in a penalty charge of \$200. These penalty charges are in addition to the cost of water used and of any damaged equipment.

**Section 4 All Other Charges**

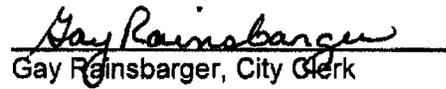
All other rates, charges, fees, penalties, etc. not provided for herein which are presently charged in connection with operation of the City of Sonoma Water Utility shall remain unchanged.

**PASSED, APPROVED AND ADOPTED** by the City Council of the City of Sonoma at its regular meeting held on December 19, 2007 by the following vote:

Ayes:	Sebastiani, Brown, Barbose, Cohen, Sanders
Noes:	None
Absent:	None

  
Joanne Sanders, Mayor

ATTEST:

  
Gay Rainsbarger, City Clerk

# CITY OF SONOMA

## RESOLUTION NO. 28 - 2014

### RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SONOMA, AMENDING RESOLUTION 46-2007 TO REFLECT MONTHLY BILLING OF WATER CHARGES TO BE EFFECTIVE UPON IMPLEMENTATION OF MONTHLY BILLING IN THE CITY OF SONOMA

**WHEREAS**, the City Council has determined that billing for water services monthly will be a valuable service to City water customers and will assist with efforts to conserve water in the City of Sonoma and

**WHEREAS**, rates established on December 19, 2007 are being modified to reflect monthly billing and are not being increased or decreased. Therefore, a public hearing is not required, pursuant to Proposition 218.

**NOW, THEREFORE, BE IT RESOLVED**, by the City Council of the City of Sonoma as follows:

**Section 2. subsection (A), (B), (G) of resolution 46-2007 is amended as follows:**

#### **Section 2. Water Rates and Charges**

Pursuant to the authority granted in Section 13.04.120 and Sections 13.24.150 through 13.24.190 of the Municipal Code, the rates and charges set forth below are hereby adopted effective on the specified date:

(A) SERVICE CHARGE (effective upon implementation of monthly billing by billing cycle)

Meter Size	Monthly Service Charge
5/8"	\$15.35
1"	\$18.42
1 ½ "	\$24.58
2"	\$30.72
3"	\$46.07
4"	\$76.78
5"	\$56.57
6"	\$122.96
Hydrant	\$15.36

(B) WATER RATES (effective upon implementation of monthly billing)

1. Single Family Residential Detached Dwellings and Second Units:

Water Rate per Unit of Use\* per Monthly Billing Period  
(Note: 1 Unit = 1,000 gallons):

	Block 1	Block 2	Block 3
For consumption	Through 6 Units	7 to 18 units	Greater than 18 units
Inside City Limits	\$3.59	\$6.11	\$7.63
Outside City Limits	\$4.13	\$7.03	\$8.78

2. All Other Customer Groups:

Water Rate per Unit of Use\* per Monthly Billing Period

(Note: 1 Unit = 1,000 gallons):

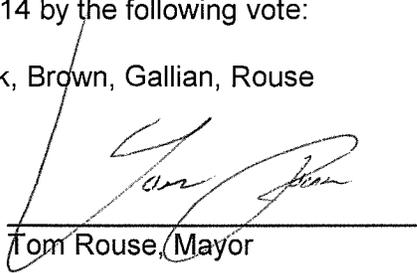
	<u>City Limits</u>	<u>Outside City</u>
a. Multi-family Residential Dwellings (apartment, condominium/townhouse, mobile home, duplex, triplex, fourplex, live/work):	\$4.59	\$5.27
b. Commercial, Institutional and Industrial	\$5.10	\$5.87
c. Municipal (others also) government, institutional and certain non-profits	\$5.14	\$5.91
d. Irrigation Service (separately metered)	\$6.73	\$7.74
e. Hydrant (temporary meter permits)	\$6.73	\$6.73

(G) FIRE LINE SERVICE CHARGES (effective upon implementation of monthly billing)

Line Size	Monthly Charge
2"	\$5.27
4"	\$10.53
6"	\$21.07
8"	\$31.60
10"	\$42.13

**PASSED, APPROVED AND ADOPTED** by the City Council of the City of Sonoma at its regular meeting held on June 23, 2014 by the following vote:

AYES: Barbose, Cook, Brown, Gallian, Rouse  
 NOES: None  
 ABSENT: None

  
 \_\_\_\_\_  
 Tom Rouse, Mayor

ATTEST:

  
 \_\_\_\_\_  
 Gay Johann  
 Assistant City Manager/City Clerk

**GOVERNMENT CODE – GOV**

**TITLE 5. LOCAL AGENCIES [50001 - 57550]**

*( Title 5 added by Stats. 1949, Ch. 81. )*

**DIVISION 2. CITIES, COUNTIES, AND OTHER AGENCIES [53000 - 55821]**

*( Division 2 added by Stats. 1949, Ch. 81. )*

**PART 1. POWERS AND DUTIES COMMON TO CITIES, COUNTIES, AND OTHER AGENCIES [53000 - 54999.7]**

*( Part 1 added by Stats. 1949, Ch. 81. )*

**CHAPTER 4. Financial Affairs [53600 - 53997]**

*( Chapter 4 added by Stats. 1949, Ch. 81. )*

**ARTICLE 4.6. Proposition 218 Omnibus Implementation Act [53750 - 53758]**

*( Article 4.6 added by Stats. 1997, Ch. 38, Sec. 5. )*

**53756.** An agency providing water, wastewater, sewer, or refuse collection service may adopt a schedule of fees or charges authorizing automatic adjustments that pass through increases in wholesale charges for water, sewage treatment, or wastewater treatment or adjustments for inflation, if it complies with all of the following:

- (a) It adopts the schedule of fees or charges for a property-related service for a period not to exceed five years pursuant to Section 53755.
- (b) The schedule of fees or charges may include a schedule of adjustments, including a clearly defined formula for adjusting for inflation. Any inflation adjustment to a fee or charge for a property-related service shall not exceed the cost of providing that service.
- (c) The schedule of fees or charges for an agency that purchases wholesale water, sewage treatment, or wastewater treatment from a public agency may provide for automatic adjustments that pass through the adopted increases or decreases in the wholesale charges for water, sewage treatment, or wastewater treatment established by the other agency.
- (d) Notice of any adjustment pursuant to the schedule shall be given pursuant to subdivision (a) of Section 53755, not less than 30 days before the effective date of the adjustment.

*(Amended by Stats. 2012, Ch. 103, Sec. 1. Effective January 1, 2013.)*

**53755.** (a) (1) The notice required by paragraph (1) of subdivision (a) of Section 6 of Article XIII D of the California Constitution of a proposed increase of an existing fee or charge for a property-related service being provided to a parcel may be given by including it in the agency's regular billing statement for the fee or charge or by any other mailing by the agency to the address to which the agency customarily mails the billing statement for the fee or charge.

(2) The notice required by paragraph (1) of subdivision (a) of Section 6 of Article XIII D of the California Constitution of a proposed new fee or charge may be given in the manner authorized for notice of an increase of a fee or charge if the agency is currently providing an existing property-related service to the address.

(3) If the agency desires to preserve any authority it may have to record or enforce a lien on the parcel to which service is provided, the agency shall also mail notice to the recordowner's address shown on the last equalized assessment roll if that address is different than the billing or service address.

(b) One written protest per parcel, filed by an owner or tenant of the parcel, shall be counted in calculating a majority protest to a proposed new or increased fee or charge subject to the requirements of Section 6 of Article XIII D of the California Constitution.

(c) Any agency that bills, collects, and remits a fee or charge on behalf of another agency may provide the notice required by Section 6 of Article XIII D of the California Constitution on behalf of the other agency.

*(Added by Stats. 2007, Ch. 280, Sec. 1. Effective January 1, 2008.)*

# CITY OF SONOMA

RESOLUTION NO. \_\_\_\_\_

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SONOMA,  
ADOPTING A PROGRAM OF WATER RATE AND FEE INCREASES FOR  
FISCAL YEAR 2014-15 THROUGH 2018-19 AND SETTING WATER RATES  
AND CONNECTION FEES TO BE EFFECTIVE JANUARY 1, 2015 AND EACH  
JANUARY 1<sup>ST</sup> THEREAFTER TO JANUARY 1, 2019

**WHEREAS**, the City Council has determined that certain changes in water rates and connection fees charged to customers of the City of Sonoma Water Utility are required to fund expenses incurred by the Water Utility, based on a report entitled, "City of Sonoma 2014 Water Rate Study;" and

**WHEREAS**, pursuant to Proposition 218, a notice of the public hearing to be held on November 17, 2014 was mailed to all affected utility account holders and property owners; and

**WHEREAS**, on November 17, 2014 the City Council conducted a public hearing and gave every interested person an opportunity to make a written protest to the scheduled connection fee and rate changes as recommended in the City of Sonoma 2014 Water Rate Study, and the City Council has considered each protest; and

**WHEREAS**, the City Council finds that a majority written protest against the connection fee and rate changes as recommended and listed in the City of Sonoma 2014 Water Rate Study does not exist; and

**WHEREAS**, the City Council finds, based upon all evidence in the record, including without limitation the City of Sonoma 2014 Water Rate Study, that the proposed water rates and charges do not exceed the estimated amount required to provide water service to properties served by the Water Utility; and

**WHEREAS**, the water rates and other rates and charges do not exceed the cost of providing the service for which they are charged; and

**NOW, THEREFORE, BE IT RESOLVED**, by the City Council of the City of Sonoma as follows:

## **Section 1. City of Sonoma 2014 Water Rate Study**

The City of Sonoma 2014 Water Rate Study, including the recommended rate schedule and fees for Fiscal Years 2014-15 through 2018-19, which is attached hereto and by this reference made a part hereof is hereby adopted.

## **Section 2. Water Rates and Charges**

Pursuant to the authority granted in Section 13.04.120 and Sections 13.24.150 through 13.24.190 of the Municipal Code, the rates and charges set forth below are hereby adopted effective on the specified date:

A) SERVICE CHARGE – Monthly billing period

	1/1/2015	1/1/2016	1/1/2017	1/1/2018	1/1/2019	Annually Beginning 1/1/2020
<b>Meter Size</b>						
5/8" or 3/4"	\$ 17.10	\$ 17.33	\$ 19.79	\$ 20.28	\$ 20.75	All Rates tied to CPI Adjustments
5/8", 3/4" or 1"	\$ 17.10	\$ 17.33	\$ 19.79	\$ 20.28	\$ 20.75	
1 1/2"	\$ 26.09	\$ 26.43	\$ 30.18	\$ 30.94	\$ 31.66	
2"	\$ 32.60	\$ 33.03	\$ 37.72	\$ 38.67	\$ 39.57	
3"	\$ 48.90	\$ 49.55	\$ 56.58	\$ 58.01	\$ 59.35	
4"	\$ 81.50	\$ 82.58	\$ 94.30	\$ 96.68	\$ 98.92	
5"	\$ 60.05	\$ 60.83	\$ 69.47	\$ 71.22	\$ 72.87	
6"	\$ 130.52	\$ 132.24	\$ 151.02	\$ 154.82	\$ 158.41	
<b>Fire Line Meter Size</b>						
2"	\$ 5.87	\$ 5.95	\$ 6.80	\$ 6.97	\$ 7.13	
4"	\$ 11.74	\$ 11.89	\$ 13.58	\$ 13.92	\$ 14.24	
6"	\$ 23.48	\$ 23.78	\$ 27.16	\$ 27.85	\$ 28.49	
8"	\$ 35.22	\$ 35.68	\$ 40.75	\$ 41.77	\$ 42.74	
10"	\$ 46.95	\$ 47.57	\$ 54.32	\$ 55.69	\$ 56.98	

(B) WATER USE RATES – Monthly billing period

1. Base Water Use Rate:

	1/1/2015	1/1/2016	1/1/2017	1/1/2018	1/1/2019	Annually Beginning 1/1/2020
Base charge For all Users - Adjusted by Use Factor	\$ 5.23	\$ 5.43	\$ 5.74	\$ 6.07	\$ 6.33	All Rates tied to CPI Adjustments

Use Factors

Residential	1.00	1.00	1.00	1.00	1.00	1.00
Multi-Family	0.85	0.80	0.80	0.80	0.80	0.80
Commercial	1.05	1.10	1.15	1.15	1.15	1.15
Municipal	1.00	1.00	1.00	1.00	1.00	1.00
Irrigation, Fire & Hydrant	1.32	1.32	1.32	1.32	1.32	1.32

2. Single Family Residential Detached Dwellings and Second Units (Water Use Rate per Unit of Use per Monthly Billing Period - 1 Unit = 1,000 gallons):

	1/1/2015	1/1/2016	1/1/2017	1/1/2018	1/1/2019	Annually Beginning 1/1/2020

**Single Family Residential Detached Dwellings & Second Units Conservation Tiers and Rates - Amount of Monthly Water Use**

1	1-6 Kg	\$ 3.59	\$ 3.73	\$ 3.94	\$ 4.17	\$ 4.35	All Rates tied to CPI Adjustments
2	7 - 12 Kg	\$ 6.30	\$ 6.55	\$ 6.91	\$ 7.31	\$ 7.63	
3	13 - 18 Kg	\$ 7.07	\$ 7.35	\$ 7.76	\$ 8.21	\$ 8.56	
4	19+ Kg	\$10.21	\$10.62	\$11.22	\$11.86	\$12.38	

3. Multi-family Residential Dwellings (apartment, condominium/townhouse, mobile home, duplex, triplex, fourplex, live/work) Water Use Rate per Unit of Use per Monthly Billing Period - 1 Unit = 1,000 gallons):

1/1/2015	1/1/2016	1/1/2017	1/1/2018	1/1/2019	Annually Beginning 1/1/2020
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**Multi-Family Conservation Tiers and Rates - Amount of Monthly Water Use**

		1/1/2015	1/1/2016	1/1/2017	1/1/2018	1/1/2019	Annually Beginning 1/1/2020
1	1 - 26 Kg	\$ 4.13	\$ 4.04	\$ 4.27	\$ 4.52	\$ 4.71	All Rates tied to CPI Adjustments
2	27 - 78 Kg	\$ 4.71	\$ 4.61	\$ 4.87	\$ 5.15	\$ 5.37	
3	79+ Kg	\$ 4.96	\$ 4.85	\$ 5.12	\$ 5.42	\$ 5.65	

4. Commercial – All Commercial, Institutional and Industrial

1/1/2015	1/1/2016	1/1/2017	1/1/2018	1/1/2019	Annually Beginning 1/1/2020
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**Commercial Conservation Tiers and Rates - Amount of Monthly Water Use**

		1/1/2015	1/1/2016	1/1/2017	1/1/2018	1/1/2019	Annually Beginning 1/1/2020
1	1 - 25 Kg	\$ 5.21	\$ 5.68	\$ 6.27	\$ 6.63	\$ 6.92	All Rates tied to CPI Adjustments
2	26 - 61 Kg	\$ 5.49	\$ 5.98	\$ 6.60	\$ 6.98	\$ 7.28	
3	62+ Kg	\$ 5.99	\$ 6.53	\$ 7.21	\$ 7.63	\$ 7.96	

5. Other Customer Groups - Municipal - governments, institutional and certain non-profits; Irrigation Service (separately metered); Fire Service (separately metered) & Hydrant (temporary meter permits) – Monthly billing period

	1/1/2015	1/1/2016	1/1/2017	1/1/2018	1/1/2019	Annually Beginning 1/1/2020
<b>Municipal</b>	\$ 5.23	\$ 5.43	\$ 5.74	\$ 6.07	\$ 6.33	All Rates tied to CPI Adjustments
<b>Irrigation</b>	\$ 6.90	\$ 7.17	\$ 7.57	\$ 8.01	\$ 8.36	
<b>Fire &amp; Hydrant</b>	\$ 6.90	\$ 7.17	\$ 7.57	\$ 8.01	\$ 8.36	

6. Other Charges:

- a. For all accounts outside of the City of Sonoma city limits 15% will be added to Service and Water Use rates listed above.
- b. Annual adjustment to the Water Use rates for changes in wholesale water costs due to Sonoma Water Agency or other agency rate changes in excess of projected changes in adopted 2014 Water Rate study and in accordance with Government Code Section 53756, to provide for a pass through of any increase in the cost of wholesale water purchased from another agency.
- c. Beginning on January 1, 2020, the Service and Water Use rates may be adjusted annually to provide for the increase, if any, in the San Francisco-Oakland-San Jose Consumer Price Index over the latest available prior 12-month period following notice and a public hearing in accordance with applicable law.

(C) CONNECTION CHARGES

The connection charge for a new service connection shall be the sum of: the front foot charge, meter charge and capacity charge. The front foot charge does not apply in cases where a main extension is required. All applicants must also provide a service lateral (pipe from main to meter) as noted in the City's Water Rate and Fee Schedule.

1. Front Foot Charge

The front foot charge shall be \$ 60 per linear foot of frontage on the existing main located in the street. If the lot is bounded by more than one street with mains then, the front footage shall be the sum of the front foot distances on each main divided by the number of streets with mains. If the lot is an irregular lot, such as a flag lot or inner lot the minimum front foot distance shall be 100 feet.

The minimum front footage upon which the front foot charge is based shall be 100 feet.

2. Meter and Lateral Installation Charges

The lateral is the pipeline extending from the main to the meter. The size and materials used shall be approved by the City. The lateral shall terminate in a meter box at a location approved by the City Water Department. The lateral shall be installed to meet City standards. The applicant shall hire or make arrangements for an underground contractor licensed by the State of California to install the lateral and meter box and other appurtenant and required equipment and devices (such as a backflow prevention device if deemed necessary by City).

The meter, however, shall be furnished and installed by the City. Applicant shall pay a meter charge for the meter and installation cost of materials, labor and equipment plus 20% administration charge as determined by the City at the time of installation.

3. Fire Service Only

In cases where required design fire flow for a given application for consumptive water service exceeds 1,000 gallons per minute (with 20 psi residual), the Capacity Charge shall be increased by \$ 2,202 per 100 gallons per minute of such excess.

In the cases where the applicant is only being provided fire flow and is not requesting water for consumptive purposes, the Capacity Charge shall be \$ 2,202 per 100 gallons per minute of design fire flow provided.

4. Capacity Charge

The capacity charge shall be calculated in terms of the demand of an equivalent single-family dwelling (ESD). An ESD is defined as the water demand for the average day of the maximum month for a typical single family detached home served by the City. The value of an ESD has been determined by the City to be 561 gallons per day. Capacity charges for residential customers and commercial, institutional and industrial customers are calculated as shown below. Note, if at any time a customer's use exceeds the estimate used in determining the capacity charge, the City may require that the customer pay an additional capacity charge at the rate then in effect for each ESD of such excess. For connections made prior to June 6, 1999, base use shall be determined by the City from examination of historic water use records.

- a. The Base Capacity Charge per ESD is \$ 9,796 effective January 1, 2015 and adjusted annually as
- b. Residential Accounts - For residential customers, the capacity charge is calculated by multiplying the Base Capacity Charge by the factor in the following table times the number of equivalent dwelling units (ESDs) in that category.

If the area of a residential dwelling is larger than 4,000 square feet or if the area to be irrigated (excluding drip irrigation area) is greater than 2,500 square feet, the capacity charge shall be calculated as set forth in section d below

### Type of Residential Dwelling

Use Category	Capacity Charge Unit of Measurement	ESD Factor applied per unit of measurement to ESD Base Capacity Rate
Single family detached dwellings	Dwelling Unit	1.00
Townhouses/condominiums, duplexes, triplexes, and fourplexes	Dwelling Unit	0.80
Mobile home	Dwelling Unit	0.51
Apartment houses (5 or more dwelling units)	Dwelling Unit	0.47
Second/accessory dwellings (dwelling on a parcel in undivided ownership)	Dwelling Unit	0.47

- c. Non-Residential and Separately Metered Irrigation accounts

Commercial, institutional and industrial capacity charges shall be based on the following Equivalent Single Family Dwelling Unit ESD factors. The ESD rating for each application shall be computed by multiplying the applicable measurement units by the ESD factor(s). The capacity charge shall then be calculated by multiplying the total ESDs by the Base Capacity Charge per ESD.

If a single service connection serves both a residential and a non-residential use, or more than one non-residential use, the connection fees for each use shall be additive.

The minimum ESD for each separate non-residential water service connection shall be 1.0.

### Other Uses

Use Category	Capacity Charge Unit of Measurement	ESD Factor applied per unit of measurement to ESD Base Capacity Rate
Commercial	Connections	1.00
Auto dealers	Service bays	0.20

Bars and taverns	Design occupancy	0.04
Business and Professional Offices	1,000 sq. ft.	1.00
Car washes (self service)	Stalls	1.00
Car washes (except self service)	Each 561 gpd of estimated water use during peak month	1.00
Churches, halls and lodges	Connections	1.00
Dental offices	1,000 sq. ft.	1.00
Dry Cleaners	1,000 sq. ft.	1.50
Garages	Service bays	0.50
Hospitals - Convalescent	Beds	0.30
Hospitals - General	Beds	0.30
Hotels/motels	Sleeping rooms	0.50
	Kitchen facilities	0.50
	Manager's living quarters	1.00
	Washing machines (laundry)	1.00
	Other facilities	TBD – Section d
Laundromats	Washing machines	1.00
Other laundries	Each 561 gpd of estimated water use during peak month	1.00
Medical offices	1,000 sq. ft.	1.00
Restaurants - Dine-in	Design seating occupancy	0.20
Restaurants - Take-out	1,000 sq. ft.	2.50
Rest homes	Beds	0.30
Service stations	Gas pumps	0.50
	Service bays	0.20
Storage (self service)	1,000 sq. ft.	0.20
Theaters	Seats	0.05
Warehouse	1,000 sq. ft.	0.20
Other business and commercial development	1,000 sq. ft.	1.00
All industrial uses	Each 561 gpd estimated water use during peak month or 1,000 sq. ft. whichever is greater.	1.00
All other uses not specified above	By determining use during average day of peak month and dividing by 561 gpd.	TBD – Section d

- d. For ESD factors not specified above to be applied to the Base Capacity Charge, the ESD factor shall be determined by the City Manager or Designated Representative.
- e. The Front Footage, Fire Service and Capacity Charges shall be adjusted annually effective each January 1<sup>st</sup> by the Engineering News Record (ENR) Construction Cost Index for the San Francisco Bay area annual percent change from July to July averaged over the three prior years.

(E) BACKFLOW PREVENTION DEVICE INSPECTION CHARGES

In cases where a backflow prevention device is determined by the City to be required, applicant shall hire a qualified contractor and be responsible for installing same. An inspection fee shall be charged at the current hourly rate for Public Works Inspection to each such device (typical inspection time of one hour).

A backflow prevention device is required where there is a well on the property to be served and for irrigation services and certain commercial uses. Applicant shall verify with the City Manager or Designated Representative.

(F) REPLACEMENT OF BROKEN METER BOXES

Charges to replace meter box (broken by contractor) including, if required, removal and replacement of surrounding concrete structures if present, shall be cost of materials, labor and equipment plus 20% administrative charges at the time of the breakage and repair.

(G) NEW RENTAL ACCOUNT DEPOSIT

A deposit of \$150 will be charged to all new accounts, residential or non-residential, when the person responsible for paying the water bill (applicant) is not the property owner. Said \$150 deposit shall be refunded if no final shutoff notices have been issued by the City for 24 months.

(H) CHANGED OR EXPANDED USE

Whenever new "development" as defined in California Government Code Section 65927 (residential or non-residential) occurs on a premise with an existing water service connection, additional connection fees shall be charged as applicable under this resolution.

Whenever an expansion or change in use (non-residential) occurs on a premise with an existing water service connection, which expansion or change in use substantially increases the amount of water used through said connection as determined by the City Manager or Designated Representative, additional connection fees shall be charged to account for said higher usage. Said additional connection fees shall be based on applicable ESD factors as provided in this resolution.

(I) PENALTIES

1. Late charge

Water bills are due 20 days from the date mailed.

A Water Service Delinquent Notice (2<sup>nd</sup> Notice) Fee shall apply when a customer's bill is not paid within 39 days of mailing of the original bill. This fee shall be as specified in the City of Sonoma Fee Schedule.

If a customer's bill is not paid within 47 days of mailing, the water service may be turned off. A "Water Service Turn Off" fee shall apply.

2. Unauthorized use of City water

Unauthorized use of the City water at a meter will result in a penalty charge of \$75; other unauthorized uses of City water will result in a penalty charge of \$200. These penalty charges are in addition to the cost of water used and replacement of any damaged equipment.

**Section 4 All Other Charges**

All other rates, charges, fees, penalties, etc. not provided for herein which are presently charged in connection with operation of the City of Sonoma Water Utility shall remain unchanged.

**PASSED, APPROVED AND ADOPTED** by the City Council of the City of Sonoma at its regular meeting held on \_\_\_\_\_ by the following vote:

Ayes:  
Noes:  
Absent:

\_\_\_\_\_  
, Mayor

ATTEST:

\_\_\_\_\_  
, City Clerk

DRAFT



City of Sonoma  
No. 1 The Plaza  
Sonoma, CA 95476



## Water Rate Changes Public Hearing November 17, 2014

**[MAILING LABEL GOES HERE]**

### Notice of Public Hearing

NOTICE IS HEREBY GIVEN, pursuant to Article XIII (D) of the California Constitution that the City of Calistoga is proposing to increase its rates for Water and Wastewater services. The City Council will conduct a public hearing on this matter, which will be held on:

**Date:** Tuesday, November 17, 2014  
**Time:** 6:00 P.M.  
**Place:** City of Sonoma Community Meeting Room  
177 First Street West, Sonoma , CA

The hearing will review the proposed changes for water rates, and other related changes to fees and charges. At the time of the public hearing, the Council will hear and consider all protests and objections concerning these matters. This notice has been sent to all utility customers and property owners, if different, as of the last address available. If there is no majority protest, the Council will consider and may adopt the increased rates by ordinance. The proposed rate changes will become effective after adoption of the resolution and the effective date therein.

This Notice of Public Hearing provides information on the proposed water rate changes as required by State law. The resolution for proposed rate changes is anticipated to be presented to the City Council after the public hearing and the protests to the rate change has been tabulated. This notice also provides information on how the rates are calculated, the reasons for the required rate changes, how customers can receive more information on the effect of the rate changes, and how to file a protest against the proposed rate changes.

#### Why do the rates need to be changed?

The last water rate study to project and set rates was adopted in December 2007 and water rates have not changed since February 2012. The costs to maintain water system have increased over the years, in spite of cost reducing measures by the City. The costs of labor, energy, chemicals and compliance with Federal and State regulations for clean water continue to rise. In addition, the Sonoma County Water Agency costs to bring the water to Sonoma have increased. The City must also comply with State law requirements for adequate water supply and with financial agreements to maintain adequate reserves and operating revenues over expenses. The City also has a responsibility to the ratepayers to keep the water system efficient and financially sustainable with adequate funding for system replacement and operating reserves.

With the extended drought, conservation tiers for residential accounts need to be adjusted to provide greater incentives to conserve water. In addition, new conservation tiers should be established for multi-family and commercial accounts to encourage conservation.

#### What has been done to control costs?

The City has made efforts in the water budget to reduce costs by deferring equipment replacement, extending regular maintenance intervals where appropriate, joining in collaborative compliance actions with other Water Agency contractors, and making greater use of local well water supply. For questions on Water operations or improvements, please contact the Public Works Department at (707) 938-3332.

#### How Are the Rate Changes Developed?

A rate study is a formal analysis to determine a fair allocation of costs between residential and non-residential users based on use of the services and impact on the water system. It also accounts for conservation measures and pricing in the residential and non-residential rates and allocates costs to new development to pay its fair share of improvements that benefit development. On August 25<sup>th</sup>, the City Council held a study session to review the findings and recommendations of the 2014 Draft Water Rate Study. The City Council provided direction to staff on various rate options. On September 29<sup>th</sup>, the City Council held a special meeting and public hearing to discuss the rate recommendations and authorized this 45-day public notice for a formal public hearing on the water rate changes on November 17<sup>th</sup>.

#### How Do I Protest The Proposed Water and Wastewater Rate Changes?

The City Council has adopted a resolution establishing procedures in accordance with State law on how to protest fee changes, such as, water rates. Customers directly responsible for the payment of the rates and/or property owners, if different, may submit a written protest against the rate changes. If the City receives written protests from a majority of the affected customers and/or property owners of the identified parcels, then the proposed rate changes cannot be adopted by the City Council. It is important to follow these instructions in order for your protest to be valid:

1. The protest must be in writing and received by the City Clerk at or before the close of the public hearing on November 17, 2014. The protest must specifically identify what is being protested. Written protests may be mailed or personally delivered to the City Clerk at City Hall - No.1 The Plaza, Sonoma, CA 95476.
2. All written protests must include the service address and utility account number.
3. The protest must be signed by the person who is listed on the utility account and is responsible for paying the utility bill and/or the property owner. The name of the signer should also be printed legibly. Only one protest will be counted for each account or property.

For more information, please contact the City Clerk at 707-933-2216 or [gjohann@sonomacity.org](mailto:gjohann@sonomacity.org)

## Current and Proposed Water Rate Changes

The following chart shows the changes in proposed rates over the next five years. The first rate increase is proposed to be effective for bills issued after January 1, 2015. Future annual rate increases will be effective each January 1<sup>st</sup>.

Proposed Water Rates	Current Rates	January 1, 2015	January 1, 2016	January 1, 2017	January 1, 2018	January 1, 2019	Annually Beginning January 1, 2020	
<b>Fixed Monthly Service Charge by Meter Size</b>								
<b>Meter Size</b>								
5/8" or 3/4"	15.35	17.10	17.33	19.79	20.28	20.75	All Rates tied to CPI Adjustments	
5/8", 3/4" or 1"	18.42	17.10	17.33	19.79	20.28	20.75		
1 1/2"	24.58	26.09	26.43	30.18	30.94	31.66		
2"	30.72	32.60	33.03	37.72	38.67	39.57		
3"	46.07	48.90	49.55	56.58	58.01	59.35		
4"	76.78	81.50	82.58	94.30	96.68	98.92		
5"	56.57	60.05	60.83	69.47	71.22	72.87		
6"	122.96	130.52	132.24	151.02	154.82	158.41		
<b>Fire Line Meter Size</b>								
2"	5.27	5.87	5.95	6.80	6.97	7.13		
4"	10.53	11.74	11.89	13.58	13.92	14.24		
6"	21.07	23.48	23.78	27.16	27.85	28.49		
8"	31.60	35.22	35.68	40.75	41.77	42.74		
10"	42.13	46.95	47.57	54.32	55.69	56.98		
<b>Water Use Charge for amount of water used in 1,000 gallons per Unit (1,000 = 1 unit)</b>								
<b>Base charge For all Users - Adjusted by Use Factor</b>	<b>5.10</b>	<b>5.23</b>	<b>5.43</b>	<b>5.74</b>	<b>6.07</b>	<b>6.33</b>	All Rates tied to CPI Adjustments	
Residential	1.00	1.00	1.00	1.00	1.00	1.00		
Multi-Family	0.90	0.85	0.80	0.80	0.80	0.80		
Commercial	1.00	1.05	1.10	1.15	1.15	1.15		
Municipal	1.01	1.00	1.00	1.00	1.00	1.00		
Irrigation, Fire & Hydrant	1.32	1.32	1.32	1.32	1.32	1.32		
<b>Residential Conservation Tiers and Rates - Amount of Monthly Water Use in units</b>								
1	1-6	3.59	3.59	3.73	3.94	4.17		4.35
2	7 - 12	6.11	6.30	6.55	6.91	7.31		7.63
3	13 - 18	6.11	7.07	7.35	7.76	8.21		8.56
4	19+	7.63	10.21	10.62	11.22	11.86	12.38	
<b>Multi-Family Conservation Tiers and Rates - Amount of Monthly Water Use in units</b>								
1	1 - 26	4.59	4.13	4.04	4.27	4.52	4.71	
2	27 - 78	4.59	4.71	4.61	4.87	5.15	5.37	
3	79+	4.59	4.96	4.85	5.12	5.42	5.65	
<b>Commercial Conservation Tiers and Rates - Amount of Monthly Water Use in units</b>								
1	1 - 25	5.10	5.21	5.68	6.27	6.63	6.92	
2	26 - 61	5.10	5.49	5.98	6.60	6.98	7.28	
3	62+	5.10	5.99	6.53	7.21	7.63	7.96	
Municipal		5.14	5.23	5.43	5.74	6.07	6.33	
Irrigation		6.73	6.90	7.17	7.57	8.01	8.36	
Fire & Hydrant		6.73	6.90	7.17	7.57	8.01	8.36	
<b>Annual Change in Rates and Extraordinary Costs</b>								
Surcharge for Rate Changes in Wholesale Water	Annual adjustment to Water Use rates for changes in wholesale water costs due to other agency rate changes in excess of projected changes in adopted rate study.							
Outside City Rate	For all accounts outside of the City of Sonoma city limits - 15% added to all Service and Water Use rates listed above.							

## What is the impact to Customers with the added and new conservation tiers?

The following shows a typical customer water use per month for residential, multi-family and commercial. These examples are of average or median current water use in each group per month. None of the examples includes use in the highest conservation tier, which would increase the billing. The actual amounts for each user will vary with different water user during the year and the conservation rate structure. Each "unit" of use is 1,000 gallons of water

Average Use	Proposed Rates					
	Current	2015	2016	2017	2018	2019
<b>Residential - 13 units use</b>	\$ 79.66	\$ 84.34 6%	\$ 87.20 3%	\$ 93.66 7%	\$ 98.40 5%	\$ 102.22 4%
<b>Multi-Family - 12 units at 77 units use</b>	\$ 384.15	\$ 381.76 -1%	\$ 374.73 -2%	\$ 398.74 6%	\$ 420.51 5%	\$ 437.85 4%
<b>Commercial - Restaurant at 61 units use</b>	\$ 335.68	\$ 355.24 6%	\$ 384.82 8%	\$ 425.95 11%	\$ 449.55 6%	\$ 468.30 4%

## Other fees and charges

**Connection Fees** – Current fees increased by change from 2007 by prior three year average percent increase in Engineering News Record Construction Cost Index for San Francisco Bay area for January 1, 2015. Future Fees are proposed to change with by the same index change each January.

	Current	Proposed
<b>Front Footage Fee</b>	\$ 49 per Lineal Foot	\$ 60 per Lineal Foot
<b>Capacity Charge</b>	\$ 8,000 per ESD	\$ 9,796 per ESD
<b>Fire Service Only Capacity Charge</b>	\$ 1,798 per excess flow	\$ 2,202 per excess flow

The equivalent single-family dwelling (ESD) values and ratios by different uses and used in calculation of the Capacity Charge are not proposed to be changed as currently adopted in Resolution 46-2007.

The charges for Installation of meters and lateral lines are proposed to change from current fixed and variable fees to variable fees based on actual cost of materials and installation by the City.

Fees for replacement of broken meter boxes and related damages are proposed to be variable fees based on actual cost of materials and installation by the City.

Fees and penalties for billing delinquencies and turn offs for non-payment are set in the specified in the City of Sonoma Fee Schedule.

All other fees and charges are proposed to remain the same as currently adopted in Resolution 46-2007.

## Proposed future rate changes allowed under State Law

The water rates can be adjusted annually after January 1, 2020 in accordance with State law using the San Francisco Bay Area Consumer Price Index (CPI). It is anticipated that this annual adjustment would keep the rates in line with operating costs. Any annual CPI adjustment would be set by a resolution adopted by the City Council after a noticed public hearing on the rate adjustments.

Rates can also be changed to pass through increases in wholesale charges for water purchased from third-party agencies, such as the Sonoma County Water Agency, in accordance with State Government Code section 53756.

## How can I find out more about the proposed rate changes?

The 2014 Water Rate Study can be read at [www.sonomacity.org](http://www.sonomacity.org) or copies are available at City Hall. To find out how the proposed rates will affect your bill, you can call Utility Billing at 707-933-2237



**CITY OF SONOMA**  
**City Council**  
**Agenda Item Summary**

City Council Agenda Item: 2B

Meeting Date: 09/29/14

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**Department**

Finance

**Staff Contact**

DeAnna Hilbrants, Finance Director

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**Agenda Item Title**

Discussion, Consideration and Possible Action to Adopt Procedures for Establishing and Increasing Fees and Charges Under Proposition 218.

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**Summary**

Proposition 218 (Articles XIIC and XIID of the California Constitution) require the City to comply with substantive and procedural requirements set forth in Section 6 of Article XIID prior to imposing or increasing a fee or charge upon a parcel of property. These requirements include:

- The definitions of: “fee” or “charge”, “property related service”, and “record owner” and
- The protest procedure for a record owner to protest the fee or charge including how those protests are to be counted.

A proposed resolution is attached to this staff report. Staff recommends that Council adopt the attached resolution to clearly define terms related to Proposition 218 hearings, outline the procedure for protest, and outline the process to tabulate written protests.

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**Recommended Council Action**

Adopt A Resolution of the City Council of the City of Sonoma Adopting Procedures for Establishing and Increasing Fees and Charges Under Proposition 218.

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**Alternative Actions**

Council discretion

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**Financial Impact**

None at this time

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**Environmental Review**

- Environmental Impact Report
- Negative Declaration
- Exempt
- Not Applicable

**Status**

- Approved/Certified
  - No Action Required
  - Action Requested
- 

**Attachments:**

Proposed Resolution

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**Alignment with Council Goals:**

Related to goals of Fiscal Management, Infrastructure, and Policy and Leadership.

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**cc:**

David Spilman, Spilman & Associates

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# CITY OF SONOMA

## Resolution No. XX – 2014

### A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SONOMA ADOPTING PROCEDURES FOR ESTABLISHING AND INCREASING FEES AND CHARGES UNDER PROPOSITION 218

**WHEREAS**, Proposition 218 (Articles XIIC and XIID of the California Constitution) requires the City to comply with the substantive and procedural requirements set forth in section 6 of Article XIID of the California Constitution prior to imposing or increasing a fee or charge upon any parcel of property or upon any person as an incident of property ownership; and

**WHEREAS**, Proposition 218 requires that the “record owner” of the parcel upon which the fee or charge is proposed for imposition or increase be notified of the amount of the fee, the basis upon which the amount of the fee was calculated, the reason for the fee, and the date, time, and location of a public hearing on the fee; and

**WHEREAS**, Proposition 218 requires that all protests against the fee or charge be considered at that public hearing; and

**WHEREAS**, Proposition 218 does not clearly set forth the meaning of “record owner” for purposes of the notice required by section 6 of Article XIID; and

**WHEREAS**, Proposition 218 does not clearly set forth who is allowed to submit protests, the procedure for submitting protests, or how the protests are to be tabulated; and

**WHEREAS**, the City Council wishes to set forth procedures for these two issues in this resolution which are intended to be consistent with both Proposition 218 and with the Proposition 218 Omnibus Implementation Act.

**NOW, THEREFORE, BE IT RESOLVED** by the City Council of the City of Sonoma, that the following procedures shall be used when imposing or increasing a fee or charge subject to Article XIID of the California Constitution:

**Section One.** Fee or Charge. For the purposes of this resolution, “fee or charge” means any levy other than an ad valorem tax, a special tax, or an assessment, imposed by an agency upon a parcel or upon a person as an incident of property ownership, including a user fee or charge for a property-related service.

**Section Two.** Property-related Service. For purposes of this resolution, “property-related service” means a public service having a direct relationship to property ownership.

**Section Three.** Notice. Prior to imposing a fee or charge, each parcel upon which the fee or charge is proposed for imposition shall be identified. The City Clerk shall mail written notice at least forty-five days prior to the date of the public hearing on the fee or charge to: (a) all owners whose names and addresses appear on the last equalized secured property tax assessment roll (as provided in Government Code § 53750(j)) at the address shown on the roll; and (b) all persons who have signed up to receive the service for which the fee or charge is imposed as

reflected in the billing records of the City at the time the notice is given at the mailing address shown in the billing records of the City.

In addition to the persons identified in this section, the City Clerk shall also mail written notice to anyone who has submitted a request to receive notice of the imposition or increase of a fee or charge.

**Section Four. Protest Procedure.**

**A.** Any owners whose names and addresses appear on the last equalized secured property tax assessment roll and any persons who have signed up to receive the property-related service for which the fee or charge may submit a written protest against the proposed fee or charge at the noticed public hearing or to the City Clerk. Protests submitted by e-mail and verbal protests will not be considered by the City Council to determine whether a majority of the owners of the identified parcels have submitted protests. All members of the public are entitled to make comments at the public hearing whether or not they choose to submit a written protest.

**B.** All written protests must be submitted before the conclusion of the noticed public hearing. The City Clerk shall not accept or consider any protest that is received after the conclusion of the public hearing even if postmarked prior to that time.

**C.** Written protests must identify the affected property (by assessor's parcel number or street address) and must include the typed or printed name and original signature of the person submitting the protest. The person signing the protest shall identify him or herself as either the owner of the parcel as shown on the last equalized security property tax assessment roll or as the person who signed up to receive the property-related service for which the fee or charge is imposed.

**D.** One written protest per parcel, submitted by the owner of the parcel whose name appears on the last equalized property tax assessment roll or submitted by the person who signed up to receive the property-related service for which the fee or charge is imposed, shall be counted. If either the owner of the parcel whose name appears on the last equalized property tax assessment roll or the person who signed up to receive the property-related service for which the fee or charge is imposed submits a written protest, that protest shall be included in the calculation of whether there is a majority protest against the fee or charge. If more than one person or entity owns the parcel, if one of the owners submits a written protest, that protest shall be included in the calculation of whether there is a majority protest against the fee or charge. Under all circumstances, only one protest per parcel shall be counted.

**E.** Any person who submits a written protest may withdraw it by submitting a written request that the protest be withdrawn in person at the public hearing or to the City Clerk before the conclusion of the public hearing. The written withdrawal of a protest shall identify the parcel and the name of either the owner whose name appears on the last equalized secured property tax assessment roll or the person who signed up to receive the property-related service for which the fee or charge is imposed and include a request that the protest be withdrawn. The withdrawal of a protest shall only be valid if it is submitted by the same person who submitted the protest.

**F.** Written protests shall remain sealed until the conclusion of the public hearing. From and after the time they are opened after the conclusion of the public hearing, the written protests shall constitute "public records" (as defined in Government Code § 6254). The City Clerk shall

establish appropriate safeguards to ensure that the protests are not opened prior to the conclusion of the public hearing.

**Section 5. Tabulation of Written Protests.** The following procedures are hereby adopted for calculating whether a majority protest against a fee or charge has been received:

**A.** The City Clerk shall determine the validity of all protests. The City Clerk shall not accept as valid any protest if the City Clerk determines that any of the following:

- i. The protest does not identify a parcel which receives the property-related service for which the fee or charge is imposed
- ii. The protest does not bear an original signature of the person submitting the protest.
- iii. The protest does not state its opposition to the proposed fee which is the subject of the protest proceeding.
- iv. The protest was not received by the City Clerk before the close of the public hearing on the proposed fee.
- v. A request to withdraw the protest is received prior to the close of the public hearing on the proposed fee.
- vi. The protest does not identify the name of the person submitting the protest or does not include that person's name in type or other intelligible format.

**B.** The City Clerk's decision regarding the validity of a protest shall constitute a final action of the City and shall not be subject to appeal to the City Council or to any other board or employee of the City.

**C.** The City Clerk shall begin tabulating written protests within twenty-four business hours following the close of the public hearing. The City Manager may retain a private firm with demonstrated experience in tabulating written protests to assist the City Clerk. If, at the conclusion of the public hearing, cursory review of the protests received demonstrates that the number received is manifestly less than one-half of the parcels served by the City with respect to the fee which is the subject of the protest, then the City Clerk may advise the City Council of the absence of a majority protest without tabulating the protests.

**D.** A majority protest exists if, with respect to a majority of the parcels subject to the proposed fee, written protests which comply with each of the requirements of this resolution are timely submitted and not withdrawn.

**BE IT FURTHER RESOLVED**, that this activity is not a project and therefore is not subject to the California Environmental Quality Act pursuant to CEQA Guidelines section 15060(c)(3).

**PASSED, APPROVED AND ADOPTED** by the City Council of the City of Sonoma at a regular meeting held this \_\_\_ day of \_\_\_\_\_, 2014.

AYES:  
NOES:  
ABSENT:

\_\_\_\_\_  
Tom Rouse, Mayor

ATTEST:

\_\_\_\_\_  
Gay Johann, Assistant City Manager/City Clerk