



NOTICE OF PUBLIC HEARING

Adjustment in Water Rates and Charges

March 13, 2018 at 6:30 p.m.

Community Meeting Center

11300 Stanford Avenue, Garden Grove

NOTICE is hereby given that at a public meeting on **March 13, 2018, at 6:30 p.m.**, at the Garden Grove Community Meeting Center, 11300 Stanford Avenue, Garden Grove, California, the Garden Grove City Council will hold a public hearing, to consider **a proposed Ordinance enacting adjustments in water rates and charges applicable to the City's Public Works Water Services Division and authorizing future automatic adjustments in water rates and charges applicable to the City's Public Works Water Services Division to account for future increases or decreases in wholesale charges the City pays other agencies for water.** These adjustments are necessary to continue to account for future increases in the City's operational costs to provide water service, future increases in the City's costs to acquire water from other agencies, such as the Metropolitan Water District (MET) and the Orange County Water District (OCWD), and in order to allow the City to continue to meet the City's service obligations and the regulatory obligations imposed by the State of California Department of Health Services and the U.S. Environmental Protection Agency.

Reason for proposed adjustments in water rates and charges

In October 2016, the City hired a consultant to develop a 5-Year Water Financial Plan to study the Water Enterprise financial condition and make recommendations for maintaining the financial stability to the Water Enterprise Fund. The study and analysis shows that expenditures are projected to significantly exceed revenues. This will result in the City spending reserves to pay for capital replacement and improvement projects. Without the proposed adjustments in water rates and charges, available reserves will be depleted in 1-2 years and critical capital replacement and improvement projects will not get implemented.

The current financial condition has caused the Water Enterprise to postpone and delay needed capital replacements and improvement projects. Furthermore, revenue increases are necessary to ensure that the Water Enterprise meets its bond covenants. The study concludes that to properly maintain the system's aging infrastructure, and enable the Water Enterprise Fund to reach financial stability, rate increases as shown in the tables below are necessary.

Reason for proposed future pass through adjustments

Most of the water the City of Garden Grove provides to customers comes from a combination of water pumped from the groundwater basin managed by OCWD and water purchased on a wholesale basis from MET through its regional water wholesaler, Municipal Water District of Orange County (MWDOC). The City has no control over the rates it must pay OCWD and MET/MWDOC to acquire water. Therefore, the City also needs the flexibility to adjust water rates to account for rate increases imposed by MET/MWDOC and OCWD. Otherwise, the City may not be able to generate the funds required to maintain and operate the City's water system, repay bond indebtedness, and comply with regulations imposed by State and Federal agencies, because funds currently dedicated to these purposes will, instead, need to be used to pay for the higher water costs imposed by MET/MWDOC and OCWD.

Fees proposed to be adjusted

City water rates for metered service are broken down into four separate components: (1) a Minimum Service Charge based on the customer's meter size; (2) a Capital Improvement Charge based on the customer's meter size; (3) a Commodity Delivery Charge based on the amount of water used by the customer; and (4) a Commodity Adjustment Charge based on the amount of water used by the customer. Customers are billed bi-monthly (i.e., once every two months) for City water service. The total bi-monthly charge to a customer for water service is calculated by adding together each of the four water rate components.

City private fire service rates are based on the water distribution and storage costs that are needed to provide fire flow storage and deliver fire flows to the fire service connection. The total current bi-monthly charge to a customer with a private fire service is based on a Fire Service Charge and a Capital Improvement Charge based on the customer's meter size. Under the proposed adjustments, fire service connections will not pay the Capital Improvement Charge.

The tables here and on the following page show the proposed bi-monthly Minimum Service Charge, Capital Improvement Charge, Commodity Charges, and Fire Service rates to be implemented over the next five (5) years:

Proposed Bi-Monthly Minimum Charge					
Meter Size	FY 17/18	FY 18/19	FY 19/20	FY 20/21	FY 21/22
5/8 x 3/4"	\$18.02	\$28.15	\$29.63	\$31.95	\$33.85
1"	\$38.11	\$46.03	\$47.18	\$49.00	\$50.48
1½"	\$68.92	\$74.86	\$75.72	\$77.09	\$78.20
2"	\$102.71	\$108.30	\$109.12	\$110.40	\$111.45
3"	\$174.25	\$190.83	\$193.24	\$197.04	\$200.15
4"	\$246.97	\$280.86	\$285.80	\$293.57	\$299.92
6"	\$537.61	\$562.87	\$566.55	\$572.34	\$577.08

Proposed Capital Improvement Charge					
Meter Size	FY 17/18	FY 18/19	FY 19/20	FY 20/21	FY 21/22
5/8 x 3/4"	\$3.00	\$4.00	\$5.00	\$6.00	\$7.00
1"	\$7.50	\$10.00	\$12.50	\$15.00	\$17.50
1½"	\$15.00	\$20.00	\$25.00	\$30.00	\$35.00
2"	\$24.00	\$32.00	\$40.00	\$48.00	\$56.00
3"	\$48.00	\$64.00	\$80.00	\$96.00	\$112.00
4"	\$75.00	\$100.00	\$125.00	\$150.00	\$175.00
6"	\$150.00	\$200.00	\$250.00	\$300.00	\$350.00

Proposed Commodity Charges					
	FY 17/18	FY 18/19	FY 19/20	FY 20/21	FY 21/22
Tier 1	\$2.94	\$2.94	\$2.92	\$2.89	\$2.86
Tier 2	\$3.65	\$4.06	\$4.15	\$4.28	\$4.40

Proposed HCF Included	
Meter Size	Maximum HCF, Tier 1
5/8 x 3/4"	33
1"	83
1½"	165
2"	264
3"	528
4"	825
6"	1,650

Proposed Bi-Monthly Fire Service Rates					
Meter Size	FY 17/18	FY 18/19	FY 19/20	FY 20/21	FY 21/22
5/8 x 3/4"	\$0.84	\$0.93	\$0.96	\$0.99	\$1.02
1"	\$0.84	\$0.93	\$0.96	\$0.99	\$1.02
1-1/2"	\$2.43	\$2.70	\$2.79	\$2.89	\$2.99
2"	\$5.17	\$5.75	\$5.95	\$6.16	\$6.38
3"	\$15.02	\$16.72	\$17.31	\$17.92	\$18.55
4"	\$32.01	\$35.63	\$36.88	\$38.17	\$39.51
6"	\$93.00	\$103.51	\$107.13	\$110.88	\$114.76
8"	\$198.18	\$220.57	\$228.29	\$236.28	\$244.55
10"	\$356.40	\$396.67	\$410.55	\$424.92	\$439.79

The City is proposing to replace the variable tiered commodity delivery charge and commodity adjustment charge with a Tier 1 Commodity Charge and a Tier 2 Commodity Charge. The Tier 1 rate was calculated based on the cost of locally produced groundwater and the Tier 2 was calculated based on the cost of imported water. The proposed maximum units of water in

Tier 1, for a 5/8" x 3/4" meter, is 33 units, therefore, any units of water used above the Tier 1 maximum will be billed at the Tier 2 level. The tables here show the proposed Commodity Charges, followed by a table showing how much water is included in Tier 1 for each meter size.

The City is proposing the adoption of automatic annual adjustments to the three water rate components (1. minimum charge based on meter; 2. capital improvement charge; and 3. commodity charge) and the fire service rate over a five (5) year period. Under the City's proposal, these water rate components would be adjusted after the next regularly scheduled meter reading following the date on which the City's ordinance establishing the rates becomes effective. Subsequent rate increases will become effective on January 1 of each year, commencing January 1, 2019, without further action by the City Council.

Furthermore, residential customers with 5/8" x 3/4" meters who use six units or less of water in a billing period currently pay only the minimum charge. Under the proposed adjustments, low-water users will pay the minimum charge and capital improvement charge.

The table on the reverse shows an example of what the adjustments to these water rate components and the total bi-monthly bill for a typical residential customer would be.

Basis upon which the fees are to be adjusted

The total fee charged is calculated based upon the funds required by the City to maintain and operate the City's water system, repay bond indebtedness, and to comply with new regulations imposed by State and Federal agencies. A complete spreadsheet showing the Water Services Division's current and projected operational costs and required capital improvement projects is available for review at the City Clerk's Office, located in Garden Grove City Hall.

Upon approval, the new rates will become effective after the next regularly scheduled meter reading following the date on which the City's ordinance establishing the rates becomes effective. Subsequent rate increases will become effective on January 1 of each year, commencing January 1, 2019, without further action by the City Council.

This Table is for Illustration Purposes Only. Actual Rates Will Vary.

Calculation of Average Total Bi-Monthly Charge for Typical Residential Customer

	Minimum Charge*	+	Capital Improvement Recovery Charge*	+	Commodity Delivery Charge**	+	Commodity Adjustment Charge**	=	Total Bill
Current Rates	\$12.74	+	\$1.47	+	\$67.50	+	\$24.60	=	\$106.31
1st Year Adjustment	\$18.02	+	\$3.00	+	\$88.20	+	—	=	\$109.22
Adjusted Rates After 5 Years	\$33.85	+	\$7.00	+	\$85.80	+	—	=	\$126.65

*Based on a 5/8" x 3/4" meter size.

**Based on consumption of 30 units (3,000 cubic feet) of water in a two-month period. The typical residential customer uses between 4 HCF¹ (2,992 gallons) and 40 HCF (29,920 gallons) of water every two months. ¹HCF (Hundred Cubic Feet)

Furthermore, Government Code Section 53756 expressly authorizes the City to adopt a schedule of fees or charges authorizing automatic adjustments that pass through increases in wholesale charges for water. The amount of automatic adjustments for changes in wholesale water costs will be based directly on the incremental difference in costs that the City will incur to acquire water from OCWD and/or MET/MWDOC as a result of increases or decreases in the amount such public agencies charge the City. Data documenting the amount of the increase or decrease in rates/fees and the basis for all adjustment calculations will be made available to the public upon request at the time of any automatic adjustment. At least 30 days' notice will be provided to customers before any such adjustments will take effect.

Proposition 218

Property owners, as defined under Proposition 218, may respond to the proposed fees **in writing** prior to or during the public hearing. Consistent with the provisions of Proposition 218, this notice has been mailed to all the record owners of affected property to the addresses as they appear on the latest equalized assessment roll and to real property tenants of the affected parcels. If you are a property owner as defined under Proposition 218 and object to the proposed fees as described in this Notice, you may file a written protest with the City at or before the time set for the public hearing. Protests can be mailed or personally delivered to the City Clerk as follows:

By mail: City of Garden Grove, P.O. Box 3070, Garden Grove, CA 92842

In person: City of Garden Grove, 11222 Acacia Parkway, Garden Grove, CA 92840

A valid protest **must** include:

1. The name of the record owner or owners of the property; and
2. Identification of the property by either assessor's parcel number or street address; and
3. A statement of protest ("I/we protest" will suffice); and
4. The *original* signature of the protesting owner or owners (photocopies will not be accepted).

Please note that each property owner will be counted as a single vote, regardless of the number of owners. If there are two record owners, both must sign the written protest. If there are more than two owners, the protest must be signed by a majority of the owners. Multiple protests returned for a single property will be disallowed and the City Clerk will only accept one protest per property.

If you have any questions regarding this Notice or the proposed fee adjustments, or would like even more detailed information, please visit the City's website at www.ci.garden-grove.ca.us, or call (714) 741-5520.