

Dear Council and City Staff,

From reading the Staff Report on Agenda Item 9, water and waste water rates, some of the numbers need clarifying.

Many questions are unanswered such as:

- 1) Why are rates so high? Cotati O&M budget for water for FY 2024 is \$2,562,000. Sebastopol's budget is \$2,202,707. Yet Cotati charges significantly less for water. How is that possible? Something is amiss with our rates if Cotati, a town of similar size, which as to purchase water, can have a higher O&M costs and lower rates.
- 2) Cotati ¾" 2024 fixed cost is 56.73. Sebastopol's is \$74.10. Cotati's tier 1 (0-10Kgal) is \$4.83, Tier 2 (10 to 20Kgal) is \$6.20 and Tier 3 (Over 20 Kgal) is \$7.73. Sebastopol's tier 1 (0-7Kgal) is \$5.48, Tier 2 (8 to 16Kgal) is \$6.99 and Tier 3 (Over 16 Kgal) is \$9.71. Sebastopol's prices are in some cases are over 20% higher and we have a lower threshold for jumping into higher price brackets.
- 3) If you compare Sebastopol's tiers with Cotati's, Sebastopol residents are supposed to use a lot less water. Why is that? Cotati has to purchase its water. There is no reason why our pricing and tier structure should not be similar with Cotati. Please refer to Cotati's water and sewer rate study. Page W4-1 has rates:
<https://www.cotaticity.org/DocumentCenter/View/577/2022-Water-and-Sewer-Rate-Study-PDF>
- 4) Cotati's irrigation and commercial rate is only \$5.37. Sebastopol's will be \$10.86 and \$6.03 respectively. Why is that? Is that good for our parks, our businesses and other public and commercial spaces.
- 5) Cotati's Wastewater O&M costs for FY 2024 are \$3,858,100. Sebastopol's are \$4,075,296. Cotati charges \$106.49 for a ¾" meter (and only \$1718.83 for a 4" meter) and \$12.43 Kgal for waste water. Sebastopol's rate is \$95.25 for a ¾" meter and \$15.47kgal for waste water. Sebastopol's rate is almost 20% higher. In 2025, Sebastopol's rate jumps to \$17.18kgal while Cotati's is \$13.55. Why are Sebastopol's rates so much higher when the O&M costs are very similar
<https://www.cotaticity.org/DocumentCenter/View/577/2022-Water-and-Sewer-Rate-Study-PDF>
- 6) Rohnert Park has capital preservation charges built into the fixed meter charge. Why doesn't Sebastopol consider this? https://cdnsm5-hosted.civillive.com/UserFiles/Servers/Server_3037789/File/Services/Utility%20Billing/Water/Rohnert%20Park%20Water%20Rate%20Study%20Report%20Final%202011.30.21.pdf
- 7) "With regard to tiered water rates, in April 2015, the Fourth District Court of Appeal decided the Capistrano Taxpayer Association v. City of San Juan Capistrano case (SJC decision) that public agencies have authority to design tiered water rate structures, but that the tiers must be based on calculating the cost of providing water at various levels of usage. The SJC decision is one of several court cases addressing water and wastewater rates since voters approved Proposition 218 in 1996." How is it justified to charge more that 40% more for Tier 3 water when it does not cost 40% more to deliver

the same water through existing pipes? Can Council and the City justify these tiered rates through actual cost analysis? As it takes the same pipes, wells, filtration and service to deliver 100 gallons of water as it does 1000, how can the City justify the tier pricing? How is it so much more expensive to deliver 27kgals over 7kgals?

- 8) Who pays for the water for our parks, schools, non-profits and public facilities such as Ives Pool? These are significant jumps and will they impact the budgets of the City and these non-profit organizations?
- 9) Who are the people who have the 4" waste water meter sizes and will see their annual fixed meter cost go from \$7656.36 to \$37,843.02? That is an annual increase of over \$30,000 just for the meter. What the people with 3" and 2" who see very significant increases? Has there been any outreach to these people? Do you know who these ratepayers are and if this is even feasible for them? These rates are egregiously high compared to other cities. Is this a good idea?
- 10) Can you tell consumers what their bills will be like in FY 2025 and FY 2028? Rates continue to climb. For example, irrigation jumps 140% in FY 2024 and then an additional 21.5% by FY 2028? Tier 3 rates jump 114% in FY 2024 and then an additional 21.5% by FY 2028. This does not track inflation or CPI. The information presented gives a very false picture of how people's bills will be impacted as significant price increases are coming over the next 4 years.
- 11) Was the tier system based on SmartMeters or the old meters. If so, the old meters did not capture the full amount of water that was used. If the old meters were used for the tiers, all tiers need to be increased by a minimum of 10%. Thus tier one should become 0-8 not 0-7.
- 12) Have our small business community been notified and brought into the discussion? With inflation, rising energy and labor costs, will these increases in Water and Sewer make running a business in Sebastopol untenable and will we lose revenue generating businesses due to high costs?
- 13) How will high water rates impact our urban canopy, which is crucial to keep surface temperatures down during hot months, retaining carbon and providing habitat for birds, insects, butterflies and other living creatures?
- 14) Who pays for the water for the fire department and hydrant usage? For instance, if there is a house fire and 1000kgals of water is used, who pays for that?
- 15) What will be the rate for commercial water trucks who fill up in Sebastopol and then resell their water?

The report says that \$1,500,000 is needed over the next 3 years for reserves and capital improvements. The report states there are 2995 meters. In this case, if you charged an Annual Infrastructure Fee of \$167 per meter per year, you could raise \$1,500,000 in three years.

The previous presentation said that a 20-30% rate increases in water and sewer to cover O&M. Why not just raise the rates 25% and then raise them by CPI the following years and institute an Infrastructure Fee. This is what has been done by the California Public Utilities Commission to encourage the adoption of electric vehicles and appliances:

<https://www.cpuc.ca.gov/news-and-updates/all-news/cut-residential-electricity-prices>

Sebastopol wants people to use water to increase revenue to the system. Sebastopol wants water and sewer to be affordable to encourage business development and growth. Sebastopol wants to support its Urban Canopy to reduce surface heat, provide shade, sequester carbon and provide habitat for insects, birds, butterflies and other animals.

We do not need a generic pricing model. We need a pricing model that reflects the fact that we have plenty of water and want people to use water. We need a pricing model that helps build our reserves and repairs our infrastructure. We do not need to conserve water. We need to repair our infrastructure.

In light of our actual community needs, I propose the following model.

Residential Option #1 for uses who will usage falls below 16kcal per billing cycle or about 8Kgal per month. – Includes SFR and up to 4 multi units

\$50 ANNUAL infrastructure fee (\$25 water enterprise and \$25 sewer enterprise)

Tiered billing with 2 tier pricing 25% more than what people are currently paying. Water would be move from \$4.52 to \$5.65. Tier 2 water usage and to \$5.20 for Tier 1 water usage (15%) increase. For wastewater, it would be 25% increase \$76.61 to \$95.76 for meter and then 25% increase for wastewater processing from \$10.31 per kgal to 12.89 per kgal.

Residential Option #2 for users who usage falls above the 16Kgal per billing cycle or more than 8Kgal per month

\$300 Annual Infrastructure Fee (\$150 water enterprise and \$150 sewer enterprise)

No tiered billing.

All water billed at 2 tier pricing 25% more than what people are currently paying. Water would be move from \$4.52 to \$5.65. Tier 2 water usage and for wastewater, it would be 25% increase \$76.61 to \$95.76 for meter and then 25% increase for wastewater processing from \$10.31 per kgal to 12.89 per kgal.

Commercial

All commercial water rates would increase by 15% (not 50%) from \$4.52 to \$5.20.

Annual Infrastructure Fee would vary by Square footage

Under 3000 sf \$250 annual infrastructure fee (\$125 water and \$125 sewer)

3000-10,000 square feet \$500 annual infrastructure fee (\$250 water and \$250 sewer)

over 10,000 square feet \$1000 annual infrastructure fee (\$500 water and \$500 sewer)

Non Profits and Schools and City

All non-profit, school and City rates would increase by 10% to \$5.00

Under 3000 sf \$250 annual infrastructure fee (\$125 water and \$125 sewer)

3000-10,000 square feet \$500 annual infrastructure fee (\$250 water and \$250 sewer)

over 10,000 square feet \$1000 annual infrastructure fee (\$500 water and \$500 sewer)

Irrigation

All Irrigation water rates would increase by 15% (not 135%) from \$4.52 to \$5.20.
\$500 annual infrastructure fee (\$500 water)

Multi- Units and Hotels

Rates would increase by 15% (not 50%) from \$4.52 to \$5.20.

Under 10 units \$1000 annual infrastructure fee

20 units \$2000 annual infrastructure fee

30 units \$3000 annual infrastructure fee

40 units \$4000 annual infrastructure fee

50 units \$5000 annual infrastructure fee

60 units \$6000 annual infrastructure fee

70 units \$7000 annual infrastructure fee

80 units \$8000 annual infrastructure fee

90 units \$9000 annual infrastructure fee

100 units \$10,000 annual infrastructure fee

and onward with each additional unit \$100 additional annual fee

Annual fee would be charged in January, when it is low water usage and potentially lower bills.

Please consider a billing model that reflects Sebastopol's actual situation, which is that we have plenty of water and aging infrastructure. We need to support our nonprofits, our small, local businesses, our parks, our recreation centers, our schools and our local urban canopy.

We do need to raise prices to cover costs but we shouldn't raise them 50% or more.

At the very least, our pricing should be in line with Cotati's as Cotati has a similar O&M and similar population size.

Best,
Kate Haug