

PROPOSITION 218 NOTICE



How Proposed Water and Wastewater Rates Were Calculated

The City of Sebastopol is proposing to adjust the rates for its water and wastewater service charges based on its most recent rate models and rate study conducted by an independent rates consultant. The City hired Raftelis Financial Consultants, Inc., a consulting firm with expertise in water and wastewater rate studies, to evaluate the City's costs for providing water and wastewater services and to proportionally allocate those costs to customer classes (Residential, Commercial, etc.).

The rate study consists of steps involving data evaluation, technical analyses, deriving customer rates, and understanding rate adjustment impacts to customers. The financial analyses and rate models are documented in the Rate Study Report to serve as part of the City's administrative record to justify proposed rates. The proposed adjustments to the current rates over the next five years are shown in the tables contained in this Notice.

Sebastopol's Water and Wastewater Utilities

The City of Sebastopol owns and operates its own water production and distribution system to serve more than 7,300 customers through almost 3,000 connections. Water is produced via a series of wells located throughout the city. The City provides approximately 270 million gallons of water per year from 4 groundwater wells and maintains more than 37 miles of water pipelines, approximately 440 fire hydrants, and two storage reservoirs.

Producing, treating, and delivering water to our customers 24 hours a day, seven days a week, year-round, requires substantial investments in infrastructure, equipment, power, routine maintenance, and operational costs including personnel. Still, most customers pay about a penny a gallon for the water that flows from their tap every day, about \$2 a day for all the water required for drinking, cooking, bathing, washing dishes and clothes, and watering outdoor spaces.

The City also provides wastewater services to about 2,754 connections. The City owns and operates its own wastewater collection and conveyance system and contracts with the City of Santa Rosa Subregional Water Reclamation System for wastewater treatment. The City's wastewater is conveyed via pipeline to the City of Santa Rosa's Laguna Wastewater Treatment Plant. The City's wastewater system includes nearly 30 miles of gravity sewers, 750 manholes, 2.7 miles of force mains, and two pump stations.

Why Are Water and Wastewater Rate Increases Needed?

Investing in water and wastewater infrastructure is an essential City obligation. Aging pipelines, drinking water wells, water distribution systems, wastewater collection and treatment systems, and critical capital projects demand regular maintenance, upgrades, and, at times, a complete overhaul. Neglecting these systems could lead to infrastructure failures resulting in more frequent service interruptions and compromised water quality.

Water and wastewater services are largely funded by the rates customers pay. Similar to higher costs for most consumer goods, the City is impacted by rising costs to deliver and store water, and for energy, fuel, equipment, parts, and labor. Per State law, revenues generated from rate increases must only be used to fund the actual costs to operate and maintain the water and wastewater systems. Current rates do not reflect the costs of service and the need to improve the aging systems.

Statute of Limitations for Challenging Proposed Rates

Please note that pursuant to California Government Code section 53759, there is a 120-day statute of limitations for judicially challenging all rates set forth in this Notice that runs from the effective date of or the date of the final passage, adoption, or approval of the ordinance, resolution, or motion approving the rates, whichever is later.

The proposed rate increases are needed to fund:

- **Cost Inflation:** Operating costs continue to rise due to inflationary pressures with higher costs projected for energy, equipment, regional wastewater treatment, labor, and construction.
- **Planned Capital Expenditures:** The utility systems are aging and projects in the long-term capital plan have been deferred. Continued deferral will challenge system reliability, increase the likelihood of emergencies, and will cause larger future rate increases.
- **Cash Reserves:** Utilities must have sufficient cash on hand to pay bills, bridge fluctuations in costs, and mitigate risk from fluctuating revenues and expenses or the risk that comes with providing services that rely on extensive and specialized infrastructure.
- **Debt Coverage:** Proposed rates ensure that the water and wastewater enterprise funds fulfill existing debt obligations and have sufficient capacity to qualify for future credit.

View the Rate Study Report by scanning the QR code.



PROPOSED CHANGES TO RATES

Water Proposed Rates

The City’s current water rate structure consists of 1) a fixed service charge based on meter size, and 2) a uniform rate for all customers based on the number of water units delivered. The billing unit is one thousand gallons (kgal).

The City is proposing to replace the uniform rate with a three-tiered rate structure for Single-Family Residential water customers. Under the tiered rate structure, the price per unit (1 unit = 1 kgal) of water depends on the total amount of water used. Higher amounts of water use trigger a higher tier, and customers are charged a higher per unit price. As proposed, Tier 1 is the first 7 units of water used per bi-monthly billing period. Tier 2 is greater than 7 units and less than 16, reflecting higher peak demands. Tier 3 is all units greater than 16. The proposed rates seek fairness and alignment with how costs are incurred while providing customers more control over their bills.

Table 1: Proposed Five-Year Schedule of Bi-Monthly Fixed Service Charges by Meter Size

Meter Size	Current	July 1, 2024	July 1, 2025	July 1, 2026	July 1, 2027	July 1, 2028
5/8" x 3/4" & 3/4"	\$49.33	\$74.10	\$85.96	\$87.25	\$88.56	\$89.89
1"	\$82.41	\$122.57	\$142.19	\$144.33	\$146.50	\$148.70
1.5"	\$164.13	\$243.71	\$282.71	\$286.96	\$291.27	\$295.64
2"	\$262.77	\$389.09	\$451.35	\$458.13	\$465.01	\$471.99
3"	\$575.37	\$849.44	\$985.36	\$1,000.15	\$1,015.16	\$1,030.39
4"	\$821.78	\$1,527.87	\$1,772.33	\$1,798.92	\$1,825.91	\$1,853.30

Table 2: Proposed Five-Year Schedule of Bi-Monthly Volumetric Rates

Table 2 shows current and proposed water volumetric rates. As proposed, customer rates will differ depending on the type of customer (Single-Family Residential, Commercial, or Irrigation) and water use amounts. A three-tiered rate structure is proposed for Residential water customers. The volumetric water use rate is in dollars per thousand gallons (\$/kgal; 1 kgal = 1,000 gallons).

Customer Class	Current	July 1, 2024	July 1, 2025	July 1, 2026	July 1, 2027	July 1, 2028
Single-Family Residential						
Tier 1: 0-7 kgal	\$4.52	\$5.48	\$6.36	\$6.46	\$6.56	\$6.66
Tier 2: 8-16 kgal	\$4.52	\$6.99	\$8.11	\$8.24	\$8.37	\$8.50
Tier 3: > 16 kgal	\$4.52	\$9.71	\$11.27	\$11.44	\$11.62	\$11.80
Commercial	\$4.52	\$6.03	\$7.00	\$7.11	\$7.22	\$7.33
Irrigation	\$4.52	\$10.86	\$12.60	\$12.79	\$12.99	\$13.19

Wastewater Proposed Rates

Currently, fixed charges are differentiated by the size and capacity of the water meter. The proposed fixed charges maintain rates by meter size but will be differentiated based on wastewater flow patterns at each meter size. Most Residential meters are smaller than 1 inch in diameter. Flow charges for Residential customers are based on the lowest two months of water use between December and March, commonly referred to as Average Winter Consumption. Flow charges for non-residential customers are billed on metered water consumption in each billing period. The proposed rates seek fairness and alignment with how costs are incurred among wastewater customer types.

Table 3: Proposed Five-Year Schedule of Bi-Monthly Wastewater Rates

Table 3 shows proposed fixed and volumetric wastewater rates. All fixed charges shown are bi-monthly and all volumetric (wastewater usage charges) rates are shown in terms of \$/kgal (1 kgal = 1,000 gallons).

Meter Size	Current	July 1, 2024	July 1, 2025	July 1, 2026	July 1, 2027	July 1, 2028
Fixed Bi-Monthly Charge						
5/8"x3/4" & 3/4"	\$76.61	\$95.25	\$105.73	\$115.25	\$125.63	\$136.94
1"	\$127.97	\$258.35	\$286.77	\$312.58	\$340.72	\$371.39
1.5"	\$254.86	\$657.20	\$729.50	\$795.16	\$866.73	\$944.74
2"	\$408.03	\$841.02	\$933.54	\$1,017.56	\$1,109.15	\$1,208.98
3"	\$893.44	\$2,093.81	\$2,324.13	\$2,533.31	\$2,761.31	\$3,009.83
4"	\$1,276.06	\$6,307.17	\$7,000.96	\$7,631.05	\$8,317.85	\$9,066.46
Volumetric Rate, \$/kgal						
All Customer Classes	\$10.31	\$15.47	\$17.18	\$18.73	\$20.42	\$22.26

BILL IMPACT

Table 4: Proposed Bi-Monthly Combined Water and Wastewater Bill for an Average Single-Family Residential Customer

Table 4 shows a bi-monthly combined water and wastewater bill for an average Single-Family Residential customer based on 9 kgal of metered water use and 6 kgal of average winter water use. With the proposed rates, the impact to an average Residential customer bill is approximately \$1.75 per day.

Note: Actual bill impacts will vary based on account, meter size, and water use.

Service	Current	July 1, 2024
Water	\$90.01	\$126.44
Sewer	\$138.47	\$188.07
Combined Water/Sewer	\$228.48	\$314.51

Wholesale Wastewater Treatment Cost Pass-Through

The City of Sebastopol has no control over the wholesale wastewater treatment charges rendered by Santa Rosa Water (SRW), which operates the Laguna Subregional Water Reclamation Facility (LSWRF).

The LSWRF serves the residents in Sebastopol, Santa Rosa, Rohnert Park, Cotati, and unincorporated areas of Sonoma County. SRW will pass through the cost of serving City of Sebastopol customers, thereby increasing our operational costs. The pass-through amount will not exceed the estimated cost of wastewater treatment from LSWRF. The City maintains the right to pass through future wholesale treatment costs. The pass-through charge will not require a public hearing or any additional action by the Sebastopol City Council. The City will provide customers with a minimum 30-day notice before the effective date of any pass-through cost.

How Do I Protest the Proposed Rates?

You have the right to protest the proposed water and/or wastewater rates. The protest must be in writing, and must be submitted by either the property owner or a utility customer. It must include the property service address and/or the assessor's parcel number, the eligible individual's name (property owner or customer), a statement to the effect of "I protest the proposed water (and/or) wastewater rates," and an original signature. **Only one written protest per affected property will be counted.**

Written protests may only be submitted by mail or in person as follows:

Please enclose your written protest in an envelope identified with the words, "Public Hearing on the Proposed Water and Wastewater Rates."

By Mail – send to 7120 Bodega Avenue, P.O. Box 1776, Sebastopol, CA 95473

Hand Delivered to the City Clerk on or before June 18, 2024, as follows:

- By 4 p.m. Tuesday, June 18, 2024, deliver to the City Clerk's Office at City Hall, 7120 Bodega Ave, Sebastopol, CA 95472

- After 4 p.m. but before the conclusion of the Public Hearing on Tuesday, June 18, 2024, at the Youth Annex Teen Center, 425 Morris Street, Sebastopol, CA 95472

The public is invited to present oral or written testimony at the Public Hearing. Protests must be received by the City Clerk before the conclusion of the Public Hearing. The Clerk will not accept or consider any protest received after the close of the Public Hearing.

Only one written protest per affected property will be counted. Telephone, e-mail, and fax protests will not be accepted. Oral comments will not be counted as protests unless accompanied by a written protest as outlined within this Notice.

At the conclusion of the Public Hearing, the City Council will consider adopting the proposed changes as follows:

- 1) If fewer than a majority of affected parcels file a written protest, the City Council will consider adjusting water and/or wastewater rates as proposed.
- 2) If a majority (50% +1) of affected parcels submit protests against the water or wastewater rates before the conclusion of the Public Hearing, the City is prohibited by law from increasing water and/or wastewater rates at this time.

If adopted, the proposed water and wastewater rates will take effect July 1, 2024. The reasons for the rate adjustments, the basis upon which they were calculated, and the amount of the proposed water and wastewater rates are described in more detail in the Rate Study, which is on file with the Administrative Services Department and available on the City website at www.cityofsebastopol.gov/our-community/utilities/.



City of Sebastopol
ATTN: City Clerk
7120 Bodega Ave, P.O. Box 1776
Sebastopol, CA 95473

NOTICE OF PUBLIC HEARING

To Consider Proposed Water and Wastewater Rate Changes

Public Hearing Date: Tuesday, June 18, 2024 at 6 p.m.

Hearing Time: 6 p.m.

Location: City Council, Sebastopol Youth Annex, 425 Morris Street Sebastopol, CA 95472

Please take notice that the Sebastopol City Council will conduct a Public Hearing to consider proposed rates for water and wastewater services. The costs incurred by the City to operate, maintain, repair, and replace infrastructure such as pipes, pumps, treatment systems, and other essential facilities continue to increase, and the infrastructure is aging.

The proposed rates will ensure that the water and wastewater utilities collect sufficient revenue to cover the operating and capital expenses needed to maintain reliable service and run the water and wastewater utilities efficiently and consistently with industry standards.

Why Am I Receiving This Notice?

The City mailed this Notice to all property owners of record and water and wastewater utility customers, in accordance with Article XIII-D, Section 6 of the California Constitution (Proposition 218). This serves as notice that the City of Sebastopol will conduct a Public Hearing at the time, date, and location identified in this Notice to consider recommended adjustments to the City's water and wastewater rates.

All those interested are invited, but not required, to appear at the time and place of the Public Hearing to give oral or written testimony. The City Council will consider public input regarding the proposed rate adjustments at the Public Hearing on June 18, 2024, and determine whether to adopt the proposed rates. The City Council cannot increase rates beyond the amounts listed in this Notice. If adopted, proposed water and wastewater rate adjustments would become effective on July 1, 2024, with annual rate adjustments effective on July 1 of each year through 2028.