



Proposition 218 Notification
NOTICE TO PROPERTY OWNERS OF PUBLIC HEARING
ON PROPOSED WATER AND SEWER RATES

REVISED Hearing Date & Time: June 17, 2014 6:00 PM

Hearing Location: City Council Chambers
100 Ave. Presidio, San Clemente, CA 92672

Why are you receiving this notice?

This notice is being furnished to you by the City of San Clemente pursuant to the California Constitution Article XIII D (also known as “Proposition 218”). Under terms of Proposition 218, the City is required to notify property owners of proposed changes to property-related fees such as water and sewer services. This letter serves as notice that the public hearing originally scheduled on June 3, 2014 has been revised to June 17, 2014, to consider changes to the current water and sewer rates.

The proposed rate modifications will increase the typical single family residential bill by 3.4% and the average commercial account by 2.8%. Rate modifications, if approved, will take effect on August 1, 2014.

What do water and sewer rates fund?

The City provides water and sewer services to over 17,500 customers (residential and commercial) within the city limits. The Water and Sewer utilities must be financially self-sufficient. Each utility operates independently from one another. Monthly rates paid by users of each system are the primary sources of revenue to fund those operations.

All revenue generated from your utility bills is used to maintain and operate the water and sewer systems; it is not used for other general governmental purposes. These revenues must meet costs such as purchased raw water, electricity, chemicals, maintenance, and salaries and benefits for utility enterprise staff.

Why are rate changes required?

Each year, the City performs a comprehensive analysis of the costs to provide water and sewer services and the rates charged for those services. Rates need to be adequate to recover the expenses, while ensuring that costs are equitably allocated, so that rates are fair and in proportion to the services received by the various customer classifications.

The City modeled the costs of operating both the Water and Sewer systems for the next five years. Current costs were inflated based on assumptions extracted from the Fullerton Economic Forecast for expense categories such as salaries and benefits, electricity, gas, and chemicals, etc. Purchased water costs were increased according to the Municipal Water District of Orange County’s forecast. The City has three sources of water: groundwater, purchased water, and recycled water production. Approximately 90% of the City’s water is purchased from the Municipal Water District. Based on the analysis, the current water rates were determined to not be sufficient to cover projected expenses.

To meet the increasing costs of providing water services, the monthly fixed charges and commodity rates for water need to be increased.

Water

New potable water rates

The City has applied a uniform percentage increase to the fixed meter charge and tier rates for seven of the past eight years, as presented in the following chart.

2006	2007	2008	2009	2010	2011	2012	2013	2014 Proposed
5.7%	5.7%	9.2%	15.7%	12.6%	12.6%	7.0%	6.0%	6.0%

The City is recommending a uniform rate increase of 6% in 2014 based on this year’s analysis. Major expense categories contributing to the increase include purchased water, which represents 45% of total costs, depreciation and replacement charges, and other contractual services.

Fixed meter charges - Water

The fixed portion of the City’s monthly revenue, derived from the monthly meter charge, represents approximately 22% of total revenue collected, while fixed costs, which include the cost to maintain and operate the water infrastructure, amount to approximately 50% of the total water system expenses. Under the proposed rate structure, presented in Table 1 on the following page, the fixed meter charges will be increased by 6%.

Tiered water commodity charges

Variable costs, which include the purchase of water from the Municipal Water District of Orange County, as well as electricity and chemical expenses, amount to approximately 50% of the water utility’s expenses. Historically, revenue recovery from the water commodity charges, through the tiered rates, has represented 78% of total revenues. Table 2 below presents the existing and proposed Tier rate structure.

New non-potable (recycled) water rates

The City has completed a Cost-of-Service Study to establish non-potable rates based on the expansion of the City’s recycled water production facilities. The existing non-potable rate will be reduced from \$2.55 to \$2.15, a 15.7% reduction.

Non-potable (recycled) rates were last increased in 2010. Prior to 2010, the City applied a uniform percentage increase to the tier rate as presented in the following chart.

2006	2007	2008	2009	2010	2011	2012	2013	2014 Proposed
5.7%	5.7%	9.2%	15.7%	12.6%	0.0%	0.0%	0.0%	-15.7%

New sewer rates

Historically, the City has applied a uniform percentage increase to the sewer fixed meter charge and commodity rates, as presented in the following chart.

2006	2007	2008	2009	2010	2011	2012	2013	2014 Proposed
6.8%	6.8%	5.3%	3.9%	3.2%	6.0%	8.0%	4.0%	0.0%

The City is not proposing a rate increase to the monthly fixed meter charge or sewer commodity charges for 2014. A complete review of all operating expenses was conducted as part of the 2015 budget process. Based on that review and recently completed capital projects, key operating expenses, which include electricity, chemicals, and landfill fees, will not increase significantly, resulting in a projected positive operating position. The existing rate structure is projected to maintain a neutral operating position in the Sewer Operating Fund, where revenues equal expenses, without the need for a rate increase in 2014.

Impact on your bill

For a typical single family home that uses 12 units of water during winter months, the monthly water bill will increase from \$50.03 to \$53.01, a 6.0% increase. The sewer bill will remain unchanged at \$38.70. The combined water and sewer bills will increase from \$88.73 to \$91.71, a 3.4% increase.

The water bill for a typical commercial account, which uses 40 units of water per month, will increase from \$191.24 to \$202.71, a 6.0% increase. The sewer bill will remain the same at \$214.85. The combined water and sewer bill will increase from \$406.09 to \$417.56, a 2.8% increase.

How do you protest?

Water and sewer rates are subject to majority protest, which means if a majority of impacted property owners (or renters if they are financially responsible for the bill) submit written protests against the increase, the City cannot institute the new rates. To protest, include your name, the address of the impacted property (or APN number) and your signature. Written protests must be received by the City Clerk, 100 Avenida Presidio, San Clemente, CA 92672 on or before the close of the public hearing. Protests may also be delivered to the City at the public hearing on the date and time specified above.

**Table 1
Water Meter Charges**

Meter Size	Existing Fixed Fee	Proposed Fixed Fee
1"	\$15.26	\$16.17
1 ½"	\$34.30	\$36.35
2"	\$51.24	\$54.31
3"	\$99.58	\$105.55
4"	\$150.43	\$159.45
6"	\$288.65	\$305.96

**Table 2
Water Consumption Charges**

Tier	Existing rate Per unit*	Proposed rate Per unit*
1	\$2.50	\$2.65
2	\$4.09	\$4.33
3	\$8.79	\$9.31
Commercial	\$3.50	\$3.71
Non-potable	\$2.55	\$2.15

*One unit of water represents 748 gallons