



Proposition 218 Notification
NOTICE TO PROPERTY OWNERS OF PUBLIC HEARING
ON PROPOSED WATER AND SEWER RATES
Hearing Date & Time: June 4, 2013 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 City will hold a public hearing on June 4, 2013, to consider changes to its current water and sewer rates.

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.

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 classes.

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 Metropolitan Water District's forecast. The City has three sources of water: groundwater, purchased water, and recycled water production. Approximately 85% of the City's water is purchased from the Metropolitan Water District. Based on the analysis, the current rates were determined to not be sufficient to cover projected expenses.

To meet the increasing costs of providing water and sewer services, the monthly fixed charges and commodity rates for both water and sewer need to be increased. Proposed Water and Sewer rate adjustments will be presented separately below.

New water rates

The City has applied a uniform percentage increase to the fixed meter charge and tier rates for six of the past seven years, as presented in the following chart. In 2012, rates were not uniformly increased. Fixed meter charges were increased 17% while tiered rates were increased an average of 1.3%. Combined, water rates increased an average of 7.0% in 2012. The average increase over the past seven years is 9.8%, while the average increase for last three years is 10.7%.

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

The City is recommending a uniform rate increase of 6% in 2013 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

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, the fixed meter charges will be increased by 6%.

Tiered water commodity charges

Variable costs which includes the purchase of water from the Metropolitan Water District, 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 presents the existing and proposed Tier rate structure.

New sewer rates

The City has applied a uniform percentage increase to the sewer fixed meter charge and commodity rates for the past seven years, as presented in the following chart. The average increase over the past seven years has been 5.7%, and also 5.7% for the past three years.

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

The City is proposing a 4.0% uniform rate increase to the monthly fixed meter charge and sewer commodity charges for 2013. A complete review of all operating expenses was conducted as part of the 2013 budget process. Based on that review and recently completed capital projects, several operating expenses are projected to decrease, which include electricity, chemicals, and landfill fees, resulting in an improved operating position. As of result of these changes and prior rate adjustments, the Sewer Operating position has improved significantly. This year’s proposed rate increase of 4% will maintain a neutral operating position, where revenues equal expenses. Tables 3 and 4 present the existing and proposed fixed meter and commodity charge modifications.

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 \$47.22 to \$50.03, a 6.0% increase. The sewer bill will increase from \$37.26 to \$38.70, a 4.0% increase. The combined water and sewer bills will increase from \$84.49 to \$88.73, a 5.0% increase.

The water bill for a typical commercial account, which uses 40 units of water per month, will increase from \$180.74 to \$191.24, a 6.0% increase. The sewer bill will increase from \$206.85 to \$214.85, a 4.0% increase. The combined water and sewer bill will increase from \$387.59 to \$406.09, a 4.8% 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 are accepted by mail to the City Clerk or in person 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"	\$14.40	\$15.26
1 ½"	\$32.36	\$34.30
2"	\$48.34	\$51.24
3"	\$93.95	\$99.58
4"	\$141.92	\$150.43
6"	\$272.32	\$288.65

**Table 2
Water Consumption Charges**

Tier	Existing rate Per unit*	Proposed rate Per unit*
1	\$2.36	\$2.50
2	\$3.86	\$4.09
3	\$8.30	\$8.79
Commercial	\$3.31	\$3.50

*One unit of water represents 748 gallons

**Table 3
Sewer Meter Charges**

Meter Size (inches)	Existing Meter Charge (\$/month)	Proposed Meter Charge (\$/month)
1"	\$22.47	\$23.36
1 ½"	\$74.10	\$77.06
2"	\$119.01	\$123.77
3"	\$247.01	\$256.89
4"	\$381.73	\$396.99
6"	\$747.73	\$777.63

**Table 4
Sewer Commodity Charges**

Customer Class	Existing Commodity Charge (\$ per unit)	Proposed Commodity charge (\$ per unit)
Residential(SF, MF, MH)	\$1.37	\$1.42
School	\$1.87	\$1.94
Place of religious gatherings	\$1.87	\$1.94
Low strength commercial	\$1.87	\$1.94
Medium strength commercial	\$2.44	\$2.53
Commercial/residential	\$2.47	\$2.56
Medium-high strength	\$4.32	\$4.49
High strength commercial	\$6.02	\$6.26