



## Proposition 218 Notification

### Notice of Public Hearing On Wastewater Rate Adjustments

17555 PEAK AVENUE  
MORGAN HILL, CA 95037-4128  
WWW.MORGANHILL.CA.GOV

**Hearing Date and Time: May 1, 2019, at 7:00 pm or as soon thereafter as possible**  
**Hearing Location: City Council Chambers • 17555 Peak Avenue • Morgan Hill, CA 95037-4128**

The City of Morgan Hill is proposing a five-year wastewater rate program adjustment for all customers. The proposal will be considered by the City Council at a Public Hearing on **May 1, 2019**. If approved, the wastewater rate adjustments will commence with service period containing July 1, 2019 and adjusted annually thereafter. You are receiving this notification in compliance with California Constitution Article XIII D Section 6 (Proposition 218) requirements that all impacted property owners are mailed notice of proposed rate changes at least 45 days prior to a public hearing. In addition, Section 53755 of the Government Code authorizes that notices be mailed to customers who are billed for the service. Proposition 218 also establishes a protest process for the public to follow if they wish to oppose the proposed rates.

#### **BASIS OF PROPOSED RATES**

The City is required by State law and City policy to collect revenues sufficient to cover the costs of operating the wastewater system. These revenues allow the City to protect public health and safely and reliably convey and treat wastewater. Costs that must be recovered through rate revenue include electricity, equipment, supplies and services, wastewater treatment, debt service, and salaries and benefits. Additionally, revenues generated from wastewater rates would be used to finance the repair and renovation of aging wastewater infrastructure and maintain reserve funds. The rates proposed herein were developed through a Wastewater Rate Study designed to meet all legal requirements and fairly and equitably recover the required revenue from all customer classes. The Rate Study is available for review at [www.morgan-hill.ca.gov/1754/2019-Wastewater-Rate-Adjustment](http://www.morgan-hill.ca.gov/1754/2019-Wastewater-Rate-Adjustment).

#### **WHAT DO WASTEWATER RATES FUND?**

The City provides wastewater utility services to residential and commercial customers. All revenue generated from customer wastewater bills is used to pay for the ongoing operation, maintenance, repair and replacement of the existing wastewater systems. The cost of system expansions, to serve new development, is recovered through connection or impact fees imposed on the developer requesting City services. By State law, the City may not collect more revenue than is necessary to recover the costs of providing services.

#### **WHY IS THE RATE ADJUSTMENT NEEDED?**

Unlike private utility companies that benefit financially from increased rates associated with increased costs, the City strives to maintain low rates to support its residents and businesses. However, significant improvements to the City's aging wastewater infrastructure are necessary soon. The City's system includes certain pipe sections that are over 90 years old. As the system ages and is damaged by natural changes in the environment (such as tree roots) the sewer pipes begin allowing rainwater and groundwater to enter the wastewater system. During extremely wet conditions this infiltration can cause the wastewater system to be overwhelmed and spill. To ensure safety of residents and to meet the requirements of the State of California, the City must repair these issues. The capital projects associated with the repair of the aging system require appropriate funding, which result in an increase to the wastewater rates.

#### **WHAT IS BEING DONE TO MINIMIZE THE IMPACT TO RATE-PAYERS?**

The City plans to utilize municipal bonds to cover the majority of the City's existing wastewater infrastructure improvements. Financing allows the costs to be spread out over 20-30 years, reducing the immediate impact to rates. The City balanced the levels of financing and rate adjustments necessary to provide for moderate rate increases, while keeping debt at a manageable level. The Wastewater Rate Study prepared by an independent financial firm, NBS Government Finance Group, concludes that the proposed rates would provide sufficient funds to pay the costs of operations, maintenance, administration, debt service, and the capital improvements over the next five years.

**PROPOSED WASTEWATER RATES**

The City currently charges residential and non-residential customers a monthly fixed wastewater charge based on meter size. In addition to a fixed monthly charge, residential customers pay a variable charge (volumetric charge) of \$4.17 per unit of baseline water use for wastewater service, with a minimum volume of 2 units and maximum of 13 units. It is proposed the maximum 13 units cap be removed to assess customers their true winter water average. Variable charges for residential customers are determined by the average monthly water usage for the three lowest consecutive months in the period between November and April of each year. As a general rule, a household’s average monthly water use for the months of November through April provides a reasonable baseline estimate of the wastewater produced by the household each month of the year. Commercial and industrial customers are billed according to the volume of flow and strength of their wastewater discharges. The proposed wastewater rate charges for the next five years are presented in detail on *Table 1: Proposed Wastewater Rate Adjustment Schedule 2019-2023*, below.

**Table 1: Proposed Wastewater Rate Adjustment Schedule 2019-2023.**

Description	Proposed Wastewater Rates					
	Current	1-Jul-19	1-Jul-20	1-Jul-21	1-Jul-22	1-Jul-23
<b>Fixed Charge</b>						
Meter Size						
<i>Single &amp; Multi-Family Residential</i>						
½" – 1"	\$19.67	\$21.44	\$23.37	\$24.54	\$25.77	\$27.05
<i>All Other Customers</i>						
½"	\$19.67	\$21.44	\$23.37	\$24.54	\$25.77	\$27.05
¾"	\$19.67	\$21.44	\$23.37	\$24.54	\$25.77	\$27.05
1"	\$19.67	\$21.44	\$23.37	\$24.54	\$25.77	\$27.05
1-½"	\$73.63	\$80.26	\$87.48	\$91.85	\$96.45	\$101.27
2"	\$117.23	\$127.78	\$139.28	\$146.25	\$153.56	\$161.24
3"	\$255.39	\$278.38	\$303.43	\$318.60	\$334.53	\$351.26
4"	\$458.73	\$500.02	\$545.02	\$572.27	\$600.88	\$630.93
6"	\$1,018.18	\$1,109.82	\$1,209.70	\$1,270.18	\$1,333.69	\$1,400.38
8"	\$1,572.90	\$1,714.46	\$1,868.76	\$1,962.20	\$2,060.31	\$2,163.33
10"	\$1,966.13	\$2,143.08	\$2,335.96	\$2,452.76	\$2,575.39	\$2,704.16
<b>Volumetric Charge – Rate per baseline estimate HCF</b>						
<i>Single &amp; Multi-Family Residential</i>	\$4.17	\$4.55	\$4.95	\$5.20	\$5.46	\$5.74
<i>Commercial/Industrial/Public</i>						
Commercial 1	\$3.99	\$4.35	\$4.74	\$4.98	\$5.23	\$5.49
Commercial 2	\$4.67	\$5.09	\$5.55	\$5.83	\$6.12	\$6.42
Commercial 3	\$5.68	\$6.19	\$6.75	\$7.09	\$7.44	\$7.81
Commercial 4	\$6.44	\$7.02	\$7.65	\$8.03	\$8.44	\$8.86
Commercial 5	\$7.65	\$8.34	\$9.09	\$9.54	\$10.02	\$10.52
Commercial 6	\$12.77	\$13.92	\$15.17	\$15.93	\$16.73	\$17.56
<b>Lift Station Service Charge</b>						
	\$9.41	\$9.75	\$10.10	\$10.46	\$10.84	\$11.23

## LIFT STATION SERVICE CHARGES

Due to Morgan Hill's varying topography, additional infrastructure is required to provide wastewater services to residents living at different elevations within the City. Lift station charges based on the cost of service to operate and replace this additional infrastructure will be charged to those residents living in the areas requiring the use of the additional infrastructure. Proposed lift station service charges are included on *Table 1: Proposed Wastewater Rate Adjustment Schedule 2019-2023*. Maps that allow customers to determine if they fall within an area serviced by lift stations are available for review at [www.morgan-hill.ca.gov/1754/2019-Wastewater-Rate-Adjustment](http://www.morgan-hill.ca.gov/1754/2019-Wastewater-Rate-Adjustment).

## IMPACT TO WASTEWATER CHARGE ON THE BILL

If approved, wastewater rate increases would commence with service period containing July 1, 2019, and adjust annually for service period containing July 1 thereafter.

The total amount of customer's wastewater charge will depend on the amount of water used between the months of November and April. For an average single family residence (8 units of wastewater), the wastewater charge on the utility bill will increase as shown below.

**Table 2: Average Monthly Single Family Residence Wastewater Charge (8 units)**

	CURRENT	UNDER PROPOSED RATES				
		1-Jul-19	1-Jul-20	1-Jul-21	1-Jul-22	1-Jul-22
Wastewater	\$ 53.03	\$ 57.80	\$ 63.00	\$ 66.15	\$ 69.46	\$ 72.93
Total Percent Increase		9%	9%	5%	5%	5%

## HOW TO PROTEST THE PROPOSED RATE ADJUSTMENTS

As the owner or customer of record of a parcel subject to the imposition of the proposed rate adjustments, you may submit a written protest against the proposed rate changes. If the City receives written protests against proposed wastewater rates by a majority of the affected property owners or tenants or utility customers on record prior to the end of the hearing, the Council will not approve the change. Only one written protest will be counted per identified parcel.

You have the right to withdraw a written protest that you previously submitted prior to the conclusion of the public hearing. The City Council will count all written protests received (not postmarked) prior to the conclusion of the public hearing. The City Council will not count written protests submitted after the conclusion of the public hearing. Only one protest per parcel will be counted.

A written protest must include (1) your name; (2) identification of the parcel by address or assessor's parcel number; (3) whether you are the owner of the parcel or the person receiving the service for which the fee is charged; and (4) your statement of the specific rate changes for which you protest the increase in the fee; and (5) your original signature. Written protests will not be accepted by e-mail or by fax. Verbal protests will not be counted. Written protests may be submitted by mail or in person to:

**City of Morgan Hill  
Attn: Rate Protest  
17575 Peak Avenue  
Morgan Hill, CA 95037-4128**

For more information, visit [www.morgan-hill.ca.gov/1754/2019-Wastewater-Rate-Adjustment](http://www.morgan-hill.ca.gov/1754/2019-Wastewater-Rate-Adjustment) or call Utility Billing at (408) 779-7221.