



Dear Property Owner/Tenant:

January 21, 2016

**Notice of Public Hearing  
Regarding Proposed Increases in Water Rates**

The City Council of the City of Paso Robles will conduct a public hearing on the proposed increases to water rates on: **March 15, 2016 at 6:30 pm** at the following location:

**City of Paso Robles, Council Chambers  
1000 Spring Street, Paso Robles CA 93446**

This notice is being sent to all City property owners and tenants receiving water service. If adopted, the proposed new rates would take effect January 1, 2017, with annual increases thereafter through January 1, 2021. This notice also describes how to file a protest to this proposed action. All property owners/tenants and other interested parties are invited to attend the public hearing and be heard on the matter.

**REASON FOR THE PROPOSED WATER RATE INCREASES**

The City of Paso Robles operates a complex potable water system with three different sources of water, including: Salinas River alluvial wells, Lake Nacimiento surface water, and groundwater wells. The water system includes more than 170 miles of pipe, 4 storage facilities, and 7 booster stations serving about 10,600 homes and businesses. The City recently constructed a 2.4 million gallon per day (MGD) water treatment plant to treat Lake Nacimiento water during the summer peak use months.

In addition to the costs associated with the City's share of the construction and debt financing of the Nacimiento Water Project, several other factors have contributed and will continue to contribute to increasing the City's costs of providing water service. In the next few years, the City will need to replace the 90-year old 21st Street Reservoir at an estimated cost of \$8.4 million, and provide for 4 million gallons per day of water treatment throughout the year, at an estimated cost of \$30 million. In addition, the City has many water lines that need to be replaced. The City was founded in 1889 and there are many water lines that are very old and at significant risk of failure if a regular replacement program is not funded and implemented. The 2014 Water System Master Plan identifies \$28.8 million of needed pipeline replacements in the next 30 years, as well as \$32.9 million in other capital upgrades to the drinking water system.

***Why am I receiving a 2<sup>nd</sup> notice?***

Customers received a notice in November 2015 that suggested higher water rates than those under consideration by City Council. This revised notice is being sent to correct that discrepancy, and to provide notice of the rescheduled public hearing.

The City undertook a rate study to determine the rates necessary to fund these increased costs and the financial requirements of the water system. As detailed in the October 22, 2015 "Water Rate and Revenue Analysis" prepared by Water Consultancy, Inc./HDR, Inc. ("Rate Study"), annual water operating expenses are currently \$13.6 million, but current revenues, primarily generated by user fees and facility charges (connection fees) are only \$10 million per year, thus the need for increased water rates. A complete copy of the Rate Study can be viewed at [www.PasoWater.com](http://www.PasoWater.com).

**BASIS UPON WHICH THE PROPOSED WATER RATE INCREASES WERE CALCULATED**

The proposed rate increases were calculated based upon the Rate Study and the analysis in the Rate Study regarding the actual costs of operating the water utility, including meeting State and Federal mandates, providing safe and reliable drinking water to the entire City every day, meeting debt obligations, funding necessary capital improvements, and providing for infrastructure to treat, pipe, and pump water to customers. The calculations determined that a significant portion of the costs are fixed and do not vary with the volume of water delivered in a given month. The remaining costs are variable costs, so the more water a customer uses, the more they should pay (such as the costs for treatment and electricity).

The proposed rates include a nominal fixed-rate and uniform consumption-based usage charge to provide greater revenue stability while still promoting conservation. The initial fixed-rate is \$5.00 per month for all customers, which is designed to cover the cost of utility billing and administration. The fixed charge is proposed to increase to \$10.00 per account per month over a 5-year period to provide additional fixed cost coverage. The remainder of the charge is a consumption-based usage charge calculated on a per unit basis for water delivered. This per unit usage charge is the same for every class of customer. One unit of water equals 100 cubic feet (“HCF”) of water or 748 gallons. There are no discounts or subsidies; every water customer pays the same amount per unit of water delivered to his or her property for both the fixed and usage components of the proposed water rates.

The proposed water rates are based on existing and projected revenue needs, take into account projected water conservation estimates over the next few years, and are calculated to recover the costs of providing water service and to proportionately allocate those costs on a parcel basis. Table 3-1 of the Rate Study shows the projected revenue plan using the proposed, combined fixed-rate and uniform consumption-based usage charge. The rate increases were calculated to be the lowest amounts necessary to meet the water system’s cost of service while properly serving customers, and properly operating, maintaining and replacing the infrastructure. The City’s water operating expenses and revenue requirements are addressed in greater detail in the Rate Study available at [www.PasoWater.com](http://www.PasoWater.com).

**PROPOSED WATER RATES**

The proposed water rates were calculated based on projected operating costs, debt service requirements, depreciation of assets, estimates of water sales, and needed capital improvements, taking into account the proportionate contributions to be made by new development for capital improvements through connection fees. The rates were calculated by dividing projected revenue requirements by estimated annual water sales over the five year planning period. A cash flow model using the proposed water rates indicates that the water fund would be able to meet its expenses and other financial performance measures. The proposed water rates reflect a change in the City’s water rate structure from the current all-consumption based water usage rate to a combined fixed-charge/variable, consumption-based-charge water rate as shown below.

To calculate your monthly water bill, multiply the number of units of water used by the applicable usage rate and add the monthly fixed charge set forth below:

User Class All Customers	Current Rates	January 1, 2017	January 1, 2018	January 1, 2019	January 1, 2020	January 1, 2021
All Water Usage (\$/HCF)	\$4.40	\$4.83	\$5.26	\$5.73	\$6.14	\$6.56
Fixed Charge (\$/Account/Month)	\$0	\$5.00	\$6.25	\$7.50	\$8.75	\$10.00

Note: Water rate increases to be effective January 1<sup>st</sup> of each year.

**SAMPLE MONTHLY WATER BILLS**

USAGE	CURRENT BILL (ALL VARIABLE)	PROPOSED RATES	
		JANUARY 1, 2017 (FIXED AND VARIABLE)	JANUARY 1, 2021 (FIXED AND VARIABLE)
4 HCF	4 x \$4.40/HCF = \$17.60	\$5 + (4 x \$4.83/HCF)= \$24.32	\$10 + (4 x \$6.56/HCF)= \$36.24
9 HCF	9 x \$4.40/HCF = \$39.60	\$5 + (9 x \$4.83/HCF)= \$48.47	\$10 + (9 x \$6.56/HCF)= \$69.04
14 HCF	14 x \$4.40/HCF = \$61.60	\$5 + (14 x \$4.83/HCF)= \$72.62	\$10 + (14 x \$6.56/HCF)= \$101.84

**PUBLIC HEARING & PROTEST PROCEDURES**

Any record owner of a parcel upon which the water rates are proposed for imposition and any tenant directly liable for the payment of water rates (i.e., a customer of record) may submit a written protest to the proposed rate increases to the City’s water rates; provided, however, that only one written protest will be counted per identified parcel. Written protests must contain all of the following:

- (1) State that the identified property owner or tenant is in opposition to the proposed increases to the water rates;
- (2) Provide the location of the identified parcel (by street address or assessor’s parcel number (APN)); and
- (3) Include the name and signature of the property owner or tenant submitting the protest.

Written protests may be submitted by mail or in person to the City Clerk at 1000 Spring Street, Paso Robles, CA 93446, or at the Public Hearing on **March 15, 2016** (date, time, and location noted above), provided they are received prior to the close of the Public Hearing, which will occur when the public testimony on the proposed increases and adjustments is concluded. Any protest submitted via e-mail or other electronic means will not be accepted. Please identify on the front of the envelope for any written protest, whether mailed or submitted in person to the City Clerk, Attn: Public Hearing on Water Rate Increases.

**Prior to March 15, 2016, Deliver Written Protests via Mail or Personal Delivery To:**

City Clerk  
Attn: Public Hearing on Water Rate Increases.  
1000 Spring Street  
Paso Robles, CA 93446

**OR**

Deliver your written protest prior to the Close of the Public Hearing on March 15, 2016, 6:30 PM at:

City Hall Council Chambers  
1000 Spring Street  
Paso Robles, CA 93446

**PUBLIC HEARING & PROTEST PROCEDURES – CONTINUED...**

The City Council will hear and consider all written protests and oral comments to the proposed rate increases at the Public Hearing, including those protests that have already been submitted in response to the initial public hearing notice mailed in November 2015. Protesters do not need to submit a new protest unless they choose to do so and protests may be withdrawn up until the close of the public hearing. Oral comments at the Public Hearing will not qualify as formal protests unless accompanied by a written protest.

Upon the conclusion of the Public Hearing, the City Council will consider the first reading of an ordinance authorizing the rate increases to the City's water rates as described in this notice. If written protests against the proposed rate increases and adjustments to the water rates as outlined above are not presented by a majority of property owners of the identified parcels and tenants upon which the water rates are proposed to be imposed, the City Council will be authorized to impose the respective rate increases and adjustments. If adopted, the proposed rate increases to the water rates will go into effect January 1, 2017, with annual increases thereafter through January 1, 2021, as shown in the table above.

For more information or questions about the proposed water rate increases, you may visit the website for the Paso Robles water rates at [www.PasoWater.com](http://www.PasoWater.com), or contact Dick McKinley, Director of the Department of Public Works at (805) 237-3861.