



CITY OF DAVIS

NOTICE OF PUBLIC HEARING

PROPOSED SEWER RATE ADJUSTMENTS

The City of Davis will hold a Public Hearing on June 20, 2017, at 6:30 p.m., in the City of Davis Community Chambers, 23 Russell Blvd., Davis, CA, to consider adopting changes to the City's sanitary sewer rates and to the cost allocation for its sanitary sewer rates.

PROPOSED SEWER RATES

The City of Davis (the "City") is proposing to modify existing sewer rates by adjusting cost allocation amongst customer classes. The proposed adjustments are based on changes to the cost of providing sewer service to various customer classes, as a result of upgrades to the City's wastewater treatment plant over the past four years. If adopted, the proposed sewer rates will not increase the total revenue generated, but will modify how much revenue is generated from each customer class, in accordance with the cost of providing sewer service to that customer class. The City has not increased its sewer rates since December 1, 2014 although additional increases were authorized. With the modified cost allocations, some customers may see minor increases in their monthly sewer bill, while others may see minor decreases to their monthly sewer bill.

The new rates would go into effect October 1, 2017. The cost of service analysis supports a flat revenue stream over the next five years, meaning the proposed sewer rates will not increase over this period. However, as with the current sewer rates, once the average winter water use is available (approximately in April for water use the previous November-February), the City will recalculate sewer bills using the new data for each individual account and individual accounts could also see increases or decreases based on the adjusted average winter water use.

The City is proposing to adjust existing sewer rates based on the updated cost of service due to changes in wastewater treatment processes. Current rate revenue is anticipated to be sufficient to meet the need of the sewer utility and:

- (1) fund current and projected increases in the costs of operations and maintenance of sanitary sewer infrastructure;
- (2) fund utility repair, replacement, and upgrade costs;
- (3) and comply with state and federal regulatory requirements.

PROPOSED SANITARY SEWER RATE

The City provides sanitary sewer (wastewater) collection and treatment services to all residents and businesses within the city and some properties in unincorporated areas including North Davis Meadows, El Macero, and Willowbank.

Revenues from sewer rates pay for the operations and maintenance of the wastewater treatment plant (WWTP), the wastewater collection system (pipes and pump stations that transport the wastewater from homes and businesses to the wastewater treatment plant), and the administrative and regulatory costs to run the sewer system. In addition, sewer rates support infrastructure investments, such as

necessary system improvements to meet new regulations, capital improvements, debt payments, and prudent reserves for the sewer system.

Over the past four years, the wastewater treatment plant was upgraded to meet Federal Clean Water Act requirements. These upgrades include new processes that replace existing land-based (ponds) treatment processes. Due to the type of treatment processes now used at the upgraded treatment plant, costs for strength-related treatment (Biochemical Oxygen Demand and Total Suspended Solids) of wastewater has increased. This changes how the city proposes to allocate costs to each customer class. While sewer rates have historically reflected cost allocations based almost entirely on the volume of effluent (flow) that customers generated, the proposed sewer rates allocate approximately 30 percent of the costs to strength-related treatment factors, in large part due to new processes and upgraded facilities discussed above. As a result, customer classes with higher strength effluent will pay higher volumetric rates than they previously paid. Restaurant rates in particular have increased, while office/retail rates will be slightly lower.

Current sewer rates are projected to be sufficient to provide the necessary revenue to meet all operations and maintenance costs, capital improvement costs, and debt service payments of the sewer system for the next five years. This is primarily due to a projected sewer fund balance of approximately \$33 million, which was generated due to favorable financing rates and lower than expected costs for the new wastewater treatment plant. For these reasons, the City has not implemented the approved rate increases for sewer service since December 1, 2014. The proposed adjustment to cost allocation by user class is to ensure each class is paying a proportionate share of system costs, based on updates to the method of treating wastewater but does not increase total revenue. The new Cost of Service study, available on the City's website, delineates the costs and the proposed rate adjustments.

RATE METHODOLOGY

The sanitary sewer service rates are comprised of three components:

- (1) a monthly charge calculated to recover the City's customer service related costs for providing sanitary sewer services; and
- (2) a fixed monthly charge calculated to recover a portion of the City's costs for providing sanitary sewer services; and
- (3) a variable charge calculated to recover a portion of the City's costs for providing sanitary sewer services.

Customers are divided generally into residential and commercial customer classes, with further classifications within each customer class (as shown on the chart below). Classifications are based on common cost characteristics resulting from similar amounts and strength of wastewater flowing to the wastewater treatment plant. The fixed monthly charge is determined on the basis of the customer's classification, and is charged only on customers falling within residential customer classes. Commercial classes do not pay the fixed monthly charge, but instead pay a higher volumetric charge, to better account for varying uses and demands on the sewer system. The variable charge is determined on the basis of each customer's average water use during winter months. Estimated average winter water usage is used because individual sewer flows are not metered, and winter months' water usage, when outdoor water use is least likely to occur, best reflects actual flows into the sewer system. This indicator of flow to the sewer is then applied to the variable charge for sewer service. The variable charge is capped (see the chart below for details).

SEWER RATES (BASE RATE* + VARIABLE RATE) - Monthly charge based on winter water usage.**

Customer Category	ccf cap‡	Current Rates			Proposed Rates		
		Base Rate		cost/ ccf	Base Rate		cost/ ccf
		cost/ acct.	cost/ unit		cost/ acct.	cost/ unit	
Single-family	24	\$2.82	\$19.47	\$3.02	\$3.94	\$18.26	\$3.13
Single-family Condo	19	\$2.82	\$14.82	\$3.02	\$3.94	\$12.46	\$3.13
Duplex	36	\$2.82	\$14.83	\$3.02	\$3.94	\$14.22	\$3.13
Triplex	56	\$2.82	\$16.97	\$3.02	\$3.94	\$15.02	\$3.13
Quadplex	76	\$2.82	\$16.82	\$3.02	\$3.94	\$15.32	\$3.13
5 + units	19 ccf/unit	\$2.82	\$11.30	\$3.02	\$3.94	\$12.88	\$3.13
Mobile Home Park	19 ccf/unit	\$2.82	\$11.52	\$3.02	\$3.94	\$12.85	\$3.13
Office/Retail	n/a	\$2.82	n/a	\$5.34	\$3.94	n/a	\$4.53
Laundry	n/a	\$2.82	n/a	\$5.41	\$3.94	n/a	\$4.69
All Other	n/a	\$2.82	n/a	\$5.34	\$3.94	n/a	\$4.69
Convalescent	n/a	\$2.82	n/a	\$5.58	\$3.94	n/a	\$4.96
Auto/Service	n/a	\$2.82	n/a	\$5.69	\$3.94	n/a	\$5.33
Restaurants	n/a	\$2.82	n/a	\$7.62	\$3.94	n/a	\$8.12
Industrial	n/a	\$2.82	n/a	\$5.72	\$3.94	n/a	\$6.74
City Accounts	n/a	\$2.82	n/a	\$5.34	\$3.94	n/a	\$4.53

* The Base Rate is the fixed component of the sewer rate, which includes a monthly base service charge (per account), and a monthly fixed service charge (per residential unit). Commercial customers do not pay the fixed service charge, but instead pay a higher volumetric charge, to better account for varying uses and demands on the sewer system.

**Customers are charged a basic flat monthly rate plus a variable discharge rate, which is based on the individual customer’s winter water use for the months of November through February and is computed using the cost per ccf of water used.

▪ ccf = 1 billing unit = 100 ft³ or 748 gallons

‡cap = If your average monthly winter water use exceeds the cap shown above, your sanitary sewer ccf charge shall be based on the cap.

Estimating Your Sanitary Sewer Rate

Your 2015/2016 monthly winter water use is **[see your notice for this information]**

The number shown above is your 2015/2016 monthly winter water usage and should only be used as an estimate of your existing and new monthly bill (assuming your water use does not change from winter to winter). Your actual sanitary sewer rate will be based on your 2016/2017 winter water usage. Please go to <http://cityofdavis.org/city-hall/public-works/wastewater-rate-study> to view tables showing current monthly bills vs. the new proposed monthly bills based on the number above.

PUBLIC HEARING AND PROTESTS

The City of Davis will hold a Public Hearing on June 20, 2017, at 6:30 p.m., in the City of Davis Community Chambers, 23 Russell Blvd., Davis, CA, to consider adopting the proposed sewer rates, resulting from changes to the cost allocation for its sanitary sewer service.

Any property owner whose property will be subject to the imposition of the proposed sewer rates may submit a written protest to the proposed changes; provided, however, that only one protest will be counted per identified parcel.

Written protests may be submitted by mail or in person to the City Clerk at 23 Russell Blvd. Suite 1, Davis, CA, California, 95616-3896 or at the Public Hearing (date and time noted above), provided they are received prior to the conclusion of the public comment portion of the Public Hearing. Please identify on the front of the envelope for any protest, whether mailed or submitted in person to the City Clerk, Attn: Public Hearing on Sewer Rate Adjustment.

Any protest submitted via e-mail or other electronic means will not be accepted.

Any written protest must: (1) state that the identified property owner is in opposition to the proposed sewer rates; (2) provide the location of the identified parcel (by assessor's parcel number, street address, or customer account); (3) provide written evidence (example: current copy of City Services Bill) that the person is the property owner, if the person was not shown on Yolo County's last equalized assessment roll as the property owner; and (4) include the name and signature of the property owner submitting the protest.

The City Council meeting agenda for the Public Hearing will be available on June 16, 2017 at <http://cityofdavis.org/city-hall/city-council/city-council-meetings>. At the Public Hearing, the City Council will hear and consider all written and oral protests to the proposed sewer rates. **Oral comments at the Public Hearing, however, will not qualify as formal protests unless accompanied by a written protest.**

At the conclusion of the Public Hearing, the City Council will consider adoption of an ordinance authorizing the proposed sewer rates as described herein.

If a majority of property owners of the identified parcels upon which the allocation adjustments are proposed to be imposed submit valid written protests against the proposed cost allocation adjustments, the City Council shall not adopt the proposed sewer rates which are subject to the majority protest.

If adopted, the proposed sewer rates will take effect beginning October 1, 2017. The reasons for the cost allocation changes, the basis upon which they were calculated, and the amount of the proposed sewer rates, are described in more detail in the Sewer Rate Study, which is on file with the City Clerk and available for inspection and which is posted to the City's web site at <http://cityofdavis.org/city-hall/public-works/wastewater-rate-study>.

If you have questions regarding this notice or how it may impact your property, call (530) 757-5686 Monday through Friday from 8 a.m. to 5 p.m. or visit <http://cityofdavis.org/city-hall/public-works/wastewater-rate-study> for answers to frequently asked questions.