



## Council Agenda Correspondence

**DATE:** June 15, 2021

**TO:** Mayor and Council

**FROM:** Aaron Floyd, Utilities Director  
Jennifer Thompson, Utilities Business Manager

**VIA:** Derek Johnson, City Manager

**SUBJECT:** Item 7.a – WATER AND SEWER RATE HEARING

The City's water rates were developed as part of a comprehensive cost-of-service methodology that fairly apportions costs to all customers. As a part of that comprehensive study, the City Council established five water rate structure goals:

1. Revenue stability and predictability.
2. Discourage wasteful use.
3. Stability and predictability of rates.
4. Fair allocation of total cost of service to customer classes.
5. Reflect all present and future costs.

The rates are based on the American Water Works Association M1 Manual methodology to meet the requirements of California constitution article XIII D, section 6, commonly referred to as Proposition 218 (Prop 218).

The Utility bill is composed of a base fee and a volumetric fee. The base fee is intended to provide revenue stability and predictability, which allows for improved revenue forecasting, and is applied to all customer accounts. This base is also representative of continual water availability to the property for purposes such as firefighting. Water bills also contain a volumetric portion that is reflective of how much water is actually used.

This volumetric portion is tiered for single residential customers, as described below, to reflect the additional costs associated with larger infrastructure needed to store and move larger volumes of water throughout the water distribution system. By this tiered system approach, those that use more water, pay a higher price when the higher tiers are reached.

Lack of a base fee during the last drought caused the need for a drought surcharge as the community used less water while most of the Utilities Department's operational and debt costs remain fixed.

The City's Cost of Service Study describes customer class characteristics, identifies unit costs, and equitably allocates costs among the City's customer classes based upon that customer class' impact on the water system. This analysis looked at water consumption, seasonal usage patterns, water meter sizes, and other factors to determine service-related cost factors.

The water rates are divided into four classes of service, each with a different rate structure and different rates based upon the usage patterns of that type of customer.

**1. Single-family Residential**

Single-family residential customers are charged a fixed monthly base fee and a three-tiered consumption charge.

	2021-22	2022-23
Monthly Base Fee	\$23.31	\$24.12
Tier 1 (1 to 5 units)	\$6.67	\$6.90
Tier 2 (6 to 12 units)	\$7.77	\$8.04
Tier 3 (13+ units)	\$14.24	\$14.74

**2. Multi-family Residential**

Multi-family residential customers are charged a monthly base fee based upon their meter size and a uniform consumption charge for every unit of water used.

	2021-22	2022-23
Monthly Base Fee (Depending on meter size)	\$23.31 - \$1,201.35	\$24.12 - \$1,286.92
All Use	\$7.62	\$7.88

**3. Non-residential**

Non-residential customers are charged a monthly base fee based upon their meter size and a uniform consumption charge for every unit of water used.

	2021-22	2022-23
Monthly Base Fee (Depending on meter size)	\$23.31 - \$1,201.35	\$24.12 - \$1,286.92
All Use	\$9.24	\$9.57

**4. Landscape irrigation**

Landscape irrigation customers are charged a monthly base fee based upon their meter size and a uniform consumption charge for every unit of water used.

	2021-22	2022-23
Monthly Base Fee (Depending on meter size)	\$23.31 - \$1,201.35	\$24.12 - \$1,286.92
All Use	\$11.33	\$11.73