

NOTICE OF PUBLIC HEARING

PROPOSED RATE INCREASES FOR WATER AND SEWER SERVICE

A public hearing on proposed water and sewer rate increases will be held on:

DATE: **TUESDAY, JUNE 14, 2011**

TIME: **7:00pm**

PLACE: **CITY OF SAN LUIS OBISPO, COUNCIL CHAMBERS**
990 PALM STREET
SAN LUIS OBISPO, CA 93401

The hearing will cover the proposed 2011 and 2012 rate increases for water and sewer services. This notice has been sent to all customers who currently receive either of these services provided by the City of San Luis Obispo. If adopted, the proposed rate increases will become effective July 1, 2011 and July 1, 2012.

This Notice of Public Hearing provides information regarding proposed rate increases to the City's water and sewer service customers pursuant to the requirements of California Constitution Article XIII (commonly referred to as Proposition 218). The proposed rate increases will be presented to the City Council for adoption on Tuesday, June 14, 2011, at 7:00 p.m., in the Council Chambers. This notice also provides information on how rates are calculated, the reasons for the required rate increases, how customers can receive more information on the effect of the proposed rate increases on their water and sewer bills, and how to file a protest against the proposed rate increases.

HOW ARE WATER AND SEWER RATES CALCULATED?

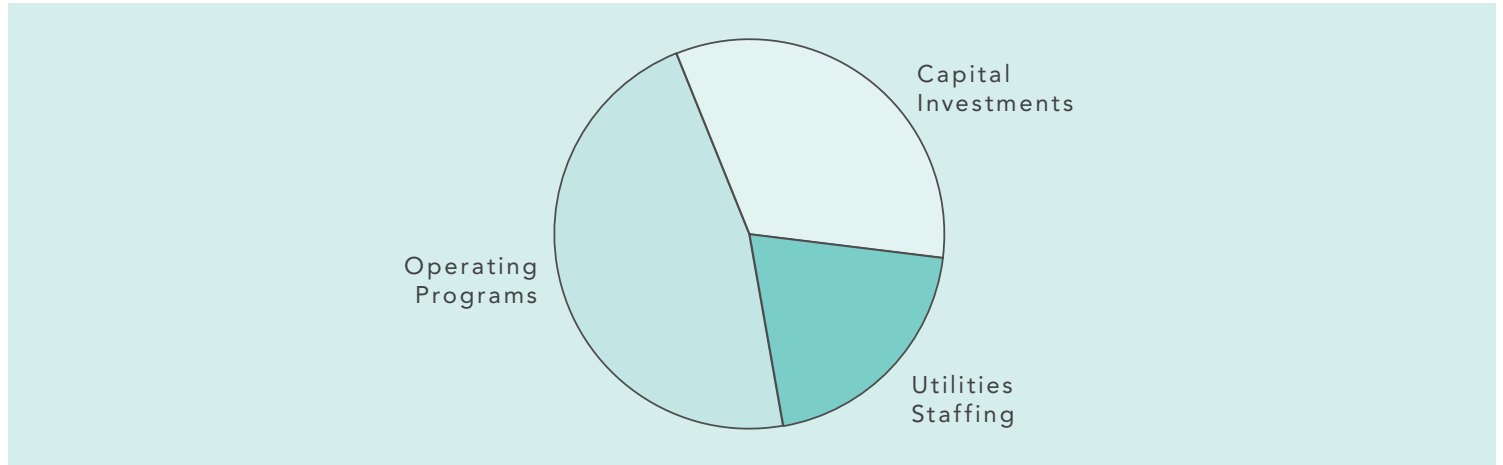
Annually, the City prepares detailed analyses of the revenues and expenditures for the Water and Sewer Funds to ensure that sufficient revenues are collected to effectively provide for the water and sewer service needs of the community. These analyses include a minimum five-year look ahead in order to adequately prepare the funds for upcoming expenses and to avoid significant unexpected increases in rates.

The long-term rate analyses look at projected operating costs including electricity, chemicals, staffing, supplies, minor equipment and repairs, contract services, debt service, reserves, and capital program costs which include replacing pipes, tanks, pump stations, vehicles, master planning and system studies, major treatment plant upgrades and repair projects. When there is a large capital project needed to support the community's service needs out in the future, incremental rate increases over a number of years is the preferred method for ensuring rate stability.

Water and sewer services are operated as enterprise funds, which means revenues to support operations and capital improvements must be funded by the rate payers receiving the services. Projected revenues from sources in addition to user rates, such as development impact fees, loan proceeds, and investment earnings are also included in the annual analyses.

WHAT HAPPENS TO THE REVENUES THAT ARE COLLECTED?

Revenues received from water and sewer charges are restricted solely for the programs and services related to the community's water and sewer service. This chart shows how the revenues are used.



The primary uses of revenue go to pay for capital projects (investing the money directly back into the system); electricity, chemicals, parts, and equipment to maintain operations of the treatment plants, and the distribution and collection systems, and staff to operate and maintain the systems to ensure the community has water and sewer services 24 hours a day.

WHY ARE THE WATER AND SEWER RATES BEING INCREASED?

WATER. There are several reasons water rates need to be increased. The major driver is assumptions made when current water rates were set two years ago that did not anticipate the unprecedented drop in water use by the community, especially in the last year. Cool weather, plentiful rain, outstanding conservation practices, a fully volume-based water rate, recessionary pressures, and changing demographics all have contributed to the decrease in water sales. The resulting decrease in revenues has been significant and rates need to increase in order to continue to pay for the community's investment in securing its new water supply sources, to continue meeting the ongoing operating and maintenance program needs, and to maintain prudent reserves.

SEWER. The proposed increase to sewer rates is needed to fund required upgrades to the City's water reclamation facility in order to meet added regulatory requirements for protection of San Luis Obispo Creek. This is a very large capital project and the fund is being prepared through incremental rate increases to be able to pay the future debt service for this project. In addition, the proposed rates will assist in funding several other major capital projects in the wastewater collection system including replacing two failing lift stations and a pipe crossing a creek. Finally, the proposed rates are needed to fund ongoing operations and maintenance costs of an aging infrastructure in both the wastewater collection system and the water reclamation facility.

For questions regarding the City's water and sewer operations and maintenance programs, or inquiries about specific water or sewer capital projects, please contact the Utilities Department at (805) 781-7215.

WHAT ACTIONS ARE BEING TAKEN TO CONTROL COSTS?

Work to control costs is continuous and the City remains focused on keeping rate increases to a minimum. Interns and volunteers are used extensively in order to get the job done. In 2009, three positions were eliminated; one from water operations, one from sewer operations, and one management position. Employees are empowered to take action to reduce expenses and especially focus on ways to reduce energy and chemical costs. Two extensive, no-cost energy audits have been conducted at the Water Reclamation Facility and energy reduction projects are actively being explored. Efficiency measures, like the low-cost local purchase of three-wheeled scooters that helped to reduce the walking time to read meter routes by one hour each day and reduced fuel use have been successfully implemented.

All water and sewer work programs started with zero-based budgets: the existing budget was not increased by some percentage but was essentially rebuilt from scratch. Vehicles scheduled to be replaced will continue to be used for at least two more years to further reduce expenditures in 2011-13.

WHAT ARE THE PROPOSED RATES?

Under the City’s water and sewer rate structures, bills are based on customer usage choices and resulting demand on the water and sewer systems. The City has a commodity-based water rate—the service charge is fully based on the volume of water used. The sewer rate contains two components—a minimum base charge and a service charge based on the volume of water used. Residential sewer accounts include a cap on the volume, set at the 3-month average of winter water use (also referred to as the “sewer cap”).

The following shows current and proposed rates for accounts inside the City limits. For the few accounts outside of the City limits, rates are twice the amounts shown.

TABLE 1. CURRENT AND PROPOSED WATER RATES

USE	CURRENT	PROPOSED JULY 1, 2011	PROPOSED JULY 1, 2012
Single Family Residential			
1 to 5 units*	\$5.21	\$5.73	\$6.25
6 to 25 units	\$6.52	\$7.17	\$7.82
26 or more units	\$8.17	\$8.99	\$9.80
All Other			
1 to 5 units	\$5.21	\$5.73	\$6.25
6 or more units	\$6.52	\$7.17	\$7.82

*All rates shown are for one unit of water. A unit equals 748 gallons.

TABLE 2. CURRENT AND PROPOSED SEWER RATES

USE	CURRENT	PROPOSED JULY 1, 2011	PROPOSED JULY 1, 2012
Single Family Residential including single metered condominiums and townhomes			
Base fee per dwelling unit (minimum charge)	\$6.55	\$7.01	\$7.43
Volume (service) charge per unit	\$7.22	\$7.73	\$8.19

NOTE: Total monthly charge is capped based on average winter water use*

Master-metered Multifamily Dwellings in any duplex, apartment house, or rooming house Mobile Home or Trailer			
Base fee per account (minimum charge)	\$6.55	\$7.01	\$7.43
Volume (service) charge per unit	\$7.22	\$7.73	\$8.19

NOTE: For accounts without a separate irrigation meter, the total monthly charge is capped based on average winter water use.

*Accounts with a separate irrigation meter have no cap.

Public, Private, or Parochial School			
Per average daily attendance (ADA) at the school	\$5.85	\$6.26	\$6.64

All Other Accounts			
Minimum charge per account	\$6.55	\$7.01	\$7.43
Volume (service) charge per unit	\$7.22	\$7.73	\$8.19

*For single family residential and for those master-metered multifamily dwellings and mobile home or trailer parks without a separate irrigation meter, the sewer service charge is based on the volume of water used during a 3-month period during the winter months (December–March, depending on when your meter is read). This is known as the average winter water use. The volume of water used during this period is used to calculate your sewer cap.

UTILITIES DEPARTMENT

879 Morro Street
San Luis Obispo, CA 93401

WHAT IS THE IMPACT ON A TYPICAL RESIDENTIAL CUSTOMER?

The following shows the impact of the increase on a typical residential customer, which assumes 9 units of water use per month and a sewer cap of 6 units per month. Even though current water rates are proposed to increase, the average water bill would decrease slightly in the first year. This is because the amount of water the average residential customer is using has decreased from 10 to 9 units and the average sewer cap has decreased from 7 to 6 units per month.

SAMPLE RESIDENTIAL WATER AND SEWER BILL

	JULY 1, 2011	PROPOSED JULY 1, 2011	PROPOSED JULY 1, 2012
Water Service	\$58.65	\$57.33*	\$62.53
Sewer Base Fee	\$6.55	\$7.01	\$7.43
Sewer Service Use Fee	\$43.32	\$46.38	\$49.14

* Average water use for a typical residence has decreased from 10 units to 9 units

HOW CAN I FIND OUT MORE ABOUT THE PROPOSED INCREASES?

Information to help you calculate how the proposed rates affect your bill is on the Web at www.slocity.org/utilities; click on "How to Calculate Your Water and Sewer Bill." If you keep your old water and sewer bill, you can look back at the units of water you used and your sewer cap to determine how the proposed rate may impact you. You can also look up your bill online by going to www.slocity.org and clicking "Pay Utility Bill". You may also call Utility Billing at (805) 781-7097 or the Utilities Department at (805) 781-7215 for assistance.

HOW DO I PROTEST THE PROPOSED WATER AND/OR SEWER RATE?

Proposition 218 mandates how protests to water and/or sewer rates are conducted. Customers directly responsible for the payment of the fee subject to the proposed rate change or the property owner of the service address may submit a written protest against the proposed rate. If written protests are received from a majority of the affected customers or the property owners, the proposed rate will not be imposed.

IT IS IMPORTANT TO FOLLOW THESE INSTRUCTIONS IN ORDER FOR YOUR PROTEST TO BE VALID:

1. The protest must be in writing and received by the City Clerk at or before the public hearing. Written protests may be mailed or personally delivered to the City Clerk at 990 Palm Street, San Luis Obispo, CA 93401.
2. All written protests must contain the service address.
3. The protest must be signed by either the account holder or the property owner of the service address.

