



Proposition 218 Notification

Notice of Public Hearing On Water Rate Adjustments

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

Hearing Date and Time: June 1, 2022, at 7:00 pm or as soon thereafter as possible

Hearing Location: City Council Chambers • 17555 Peak Avenue • Morgan Hill, CA 95037-4128

**If held virtually: Join the meeting at <https://bit.ly/MHCityCouncilMeeting>
or by calling 669-900-9128, then enter the webinar id: 873 3200 8380**

The City of Morgan Hill is proposing a five-year water rate program adjustment for all customers. The proposal will be considered by the City Council at a Public Hearing on **June 1, 2022**. If approved, the water rate adjustments will commence with service period containing July 1, 2022 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 those 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 water system. These revenues allow the City to ensure the City's water supply needs are continually met and that water quality meets or exceeds all public health and environmental standards. Costs that must be recovered through rate revenue include groundwater production, electricity, equipment, supplies and services, debt service, and salaries and benefits. Additionally, revenues generated from water rates will be used to finance the repair and renovation of aging water infrastructure and maintain reserve funds. The rates proposed herein were developed through a Water 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 <https://www.morgan-hill.ca.gov/DocumentCenter/View/40685/2022-Rate-Study-PDF>.

WHAT DO WATER RATES FUND?

The City provides water utility services to residential and commercial customers. All revenue generated from customer water bills is used to pay for the ongoing operation, maintenance, repair and replacement of the City's existing water system. 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.

PROPOSED WATER RATES

The City currently charges residential and non-residential customers a monthly fixed water charge based on meter size. In addition to a fixed monthly charge, all customers pay a uniform commodity rate for all water consumed (commodity or volumetric rates are charged per unit of water, or hundred cubic feet (hcf), or 748 gallons. The proposed water rate charges for the next five years are presented in detail on **Table 1: Current and Proposed Water Rates for FY2022/23 through 2026/27.**

Table 1. Current and Proposed Water Rates for FY 2022/23 through 2026/27

Water Rate Schedule	Current Monthly Rates	Proposed Monthly Water Rates				
		FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27
Fixed Service Charges						
<i>Single- and Multi-Family Residential:</i>						
5/8 inch	\$31.14	\$33.10	\$36.08	\$38.60	\$41.30	\$42.54
3/4 inch	\$31.14	\$33.10	\$36.08	\$38.60	\$41.30	\$42.54
1 inch	\$31.14	\$33.10	\$36.08	\$38.60	\$41.30	\$42.54
1.5 inch	\$58.72	\$62.72	\$68.37	\$73.15	\$78.28	\$80.62
2 inch	\$91.81	\$98.27	\$107.12	\$114.62	\$122.64	\$126.32
4 inch	\$279.36	\$299.73	\$326.70	\$349.57	\$374.04	\$385.26
6 inch	\$555.17	\$595.98	\$649.62	\$695.09	\$743.75	\$766.06
<i>Non-Residential:</i>						
5/8 inch	\$47.23	\$53.62	\$58.44	\$62.53	\$66.91	\$68.92
3/4 inch	\$47.23	\$53.62	\$58.44	\$62.53	\$66.91	\$68.92
1 inch	\$47.23	\$53.62	\$58.44	\$62.53	\$66.91	\$68.92
1.5 inch	\$90.90	\$103.76	\$113.10	\$121.02	\$129.49	\$133.37
2 inch	\$143.31	\$163.94	\$178.69	\$191.20	\$204.58	\$210.72
3 inch	\$283.06	\$324.40	\$353.59	\$378.35	\$404.83	\$416.98
4 inch	\$440.28	\$504.92	\$550.36	\$588.89	\$630.11	\$649.01
6 inch	\$877.00	\$1,006.37	\$1,096.94	\$1,173.73	\$1,255.89	\$1,293.56
8 inch	\$1,401.07	\$1,608.11	\$1,752.84	\$1,875.53	\$2,006.82	\$2,067.03
<i>Fire Service:</i>						
5/8 inch	\$4.02	\$4.05	\$4.42	\$4.73	\$5.06	\$5.21
3/4 inch	\$4.25	\$4.34	\$4.73	\$5.06	\$5.42	\$5.58
1 inch	\$4.71	\$4.92	\$5.36	\$5.74	\$6.14	\$6.33
1.5 inch	\$5.86	\$6.37	\$6.94	\$7.43	\$7.95	\$8.19
2 inch	\$7.24	\$8.11	\$8.84	\$9.46	\$10.12	\$10.42
3 inch	\$11.61	\$13.61	\$14.84	\$15.88	\$16.99	\$17.50
4 inch	\$19.66	\$23.75	\$25.89	\$27.70	\$29.64	\$30.53
6 inch	\$40.37	\$49.83	\$54.31	\$58.11	\$62.18	\$64.05
8 inch	\$67.98	\$84.59	\$92.21	\$98.66	\$105.57	\$108.74
10 inch	\$104.79	\$130.95	\$142.74	\$152.73	\$163.42	\$168.32
Volumetric Charges						
<i>Uniform Rate, All Customers</i>	\$2.57	\$2.89	\$3.15	\$3.37	\$3.60	\$3.71

ZONAL WATER RATES

While most of the City's water customers are located within normal elevation zones (those not requiring significant additional infrastructure to get water to the higher elevations), some customers are in higher elevation zones that cost more to pump water to them. These elevation surcharges are part of the current rate structure and the Water Rate Study evaluated the current cost of service for these customers. **Table 2** shows the five-year schedule of water zonal elevation surcharges.

Table 2. Five-Year Schedule of Water Zonal Elevation Surcharges

Water Enterprise Zonal Elevation Surcharges: <i>Volumetric Surcharges</i>						
Elevation Zones	Current*	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27
Volumetric Surcharges (\$/hcf)	\$0.11	\$0.36	\$0.37	\$0.39	\$0.41	\$0.43

*Current rates include monthly fixed charge of \$2.56/month.

A map that allows customers to determine if they fall within a zonal area is available for review at <http://www.morgan-hill.ca.gov/2292/Proposed-Water-Rate-Adjustment>.

REVENUE STABILIZATION RATES

If revenue from volumetric rates falls below the levels currently expected, the City is still obligated to meet its annual net revenue requirements. The intent of revenue stabilization rates is to offset the revenue losses that may be due to a variety of reasons and thereby decoupling this process from specific drought rates, drought stages, and/or State-mandated conservation. Revenue stabilization rates are the expected volumetric rate revenue divided by the reduced levels of water sales. The proposed volumetric charges per water unit (hcf) with Revenue Stabilization Rates for the next five years are presented in detail on **Table 3: Proposed Volumetric Charges per Water Unit (hcf) with Revenue Stabilization Rates for FY 2022/23 through FY 2026/27**.

Table 3. Proposed Volumetric Charges per Water Unit (hcf) with Revenue Stabilization Rates for FY 2022/23 through FY 2026/27

	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27
10% Revenue Stabilization Rate*	\$3.21	\$3.50	\$3.82	\$4.09	\$4.38
15% Revenue Stabilization Rate*	\$3.40	\$3.71	\$4.04	\$4.32	\$4.62
20% Revenue Stabilization Rate*	\$3.61	\$3.93	\$4.28	\$4.58	\$4.90
25% Revenue Stabilization Rate*	\$3.85	\$4.20	\$4.58	\$4.90	\$5.24
30% Revenue Stabilization Rate*	\$4.12	\$4.49	\$4.89	\$5.23	\$5.60

* Revenue Stabilization Rates would be implemented if current revenue from water sales are below the percentages indicated.

IMPACT TO WATER CHARGE ON THE BILL

If approved, water rate increases would commence with water consumption period containing July 1, 2022 and adjust annually for the water consumption period containing July 1 thereafter.

LOW INCOME DISCOUNT

Low-income customers that are enrolled in the PG&E CARE program can receive a discount on their water bill. Please contact our Utility Services & Billing at (408) 779-7221 or email utilitybilling@morganhill.ca.gov for more information.

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 water 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.

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; (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: Water Rate Protest
17575 Peak Avenue
Morgan Hill, CA 95037-4128**

For more information, visit <https://www.morgan-hill.ca.gov/2292/Proposed-Water-Rate-Adjustment>

This material is available in alternative formats upon request to accommodate persons with disabilities or non-English speakers. To order information in an alternative format, or to arrange for a sign language or oral interpreter at the June 1, 2022 hearing, please call or email the Clerk's office by 5 pm on Thursday, May 26, 2022. City Clerk: (408) 779-7259, cityclerk@morganhill.ca.gov