



Proposition 218 Notification

Notice of Public Hearing On Wastewater Rate Adjustments

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

Hearing Date and Time: August 28, 2024, at 6:00 pm or as soon thereafter as possible
Hearing Location: City Council Chambers • 17555 Peak Avenue • Morgan Hill, CA 95037-4128

The City of Morgan Hill is proposing a five-year wastewater rate program adjustment for all customers. The proposal will be considered by the City Council at a Public Hearing on **August 28, 2024**. If approved, the wastewater rate adjustments will commence with the service period which contains October 1, 2024, 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 that 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 wastewater system. These revenues allow the City to protect public health and safely and reliably convey and treat wastewater. Costs that must be recovered through rate revenue include electricity, equipment, supplies and services, wastewater treatment, debt service, and salaries and benefits. Additionally, revenues generated from wastewater rates would be used to finance the repair and renovation of aging wastewater infrastructure and maintain reserve funds. The rates proposed herein were developed through a Wastewater 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.morganhill.ca.gov/DocumentCenter/View/49150/2024-Sewer-Rate-Study-PDF>.

WHAT DO WASTEWATER RATES FUND?

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

WHY IS THE RATE ADJUSTMENT NEEDED?

Unlike private utility companies that benefit financially from increased rates associated with increased costs, the City strives to maintain low rates to support its residents and businesses. However, significant improvements to the City's aging wastewater infrastructure are necessary soon. The City's system includes certain pipe sections that are over 90 years old. As the system ages and is damaged by natural changes in the environment (such as tree roots) the sewer pipes begin allowing rainwater and groundwater to enter the wastewater system. During extremely wet conditions this infiltration can cause the wastewater system to be overwhelmed and spill. To ensure the safety of residents and to meet the requirements of the State of California, the City must repair these issues. The capital projects associated with the repair of the aging system require appropriate funding, which results in an increase to the wastewater rates. Additionally, rates are periodically adjusted to keep up with the rising cost of operating and maintaining the collection system and the cost of wastewater treatment.

The City plans to utilize municipal bonds to cover some of the City's existing wastewater infrastructure improvements. Financing allows the costs to be spread out over 20-30 years, reducing the immediate impact to rates. The City plans to balance the levels of financing and rate adjustments necessary to provide for moderate rate increases, while keeping debt at a manageable level.

PROPOSED WASTEWATER RATES

The City currently charges residential and non-residential customers a monthly fixed wastewater charge based on meter size. In addition to a fixed monthly charge, residential customers pay a variable charge (volumetric charge) of \$5.74 per unit of baseline water used for wastewater service, with a minimum volume of two. Variable charges for residential customers are

determined by the average monthly water usage for the three lowest consecutive months in the period between November and April of each year. As a general rule, a household's average monthly water use for the months of November through April provides a reasonable baseline estimate of the wastewater produced by the household each month of the year. Commercial and industrial customers are billed according to the volume of flow and strength of their wastewater discharges. The proposed wastewater rate charges for the next five years reflect the City's wastewater system annual revenue increases and are presented in detail on *Table 1: Proposed Wastewater Rate Adjustment Schedule 2024-2028*, below.

Table 1: Proposed Wastewater Rate Adjustment Schedule 2024-2028

Sewer Rate Schedule	Current Rates	Proposed Rates				
		10/1/2024	7/1/2025	7/1/2026	7/1/2027	7/1/2028
Monthly Fixed Charges:						
Residential (5/8-1 inch meters)	\$27.05	\$38.90	\$42.40	\$45.79	\$49.46	\$53.41
All Other Customers:						
5/8 inch	\$27.05	\$38.89	\$42.39	\$45.78	\$49.45	\$53.40
3/4 inch	\$27.05	\$38.89	\$42.39	\$45.78	\$49.45	\$53.40
1 inch	\$27.05	\$38.89	\$42.39	\$45.78	\$49.45	\$53.40
1.5 inch	\$101.27	\$139.52	\$152.08	\$164.24	\$177.38	\$191.57
2 inch	\$161.24	\$218.98	\$238.68	\$257.78	\$278.40	\$300.67
3 inch	\$351.26	\$470.73	\$513.10	\$554.15	\$598.48	\$646.36
4 inch	\$630.93	\$841.27	\$916.98	\$990.34	\$1,069.57	\$1,155.13
6 inch	\$1,400.38	\$1,860.72	\$2,028.18	\$2,190.43	\$2,365.67	\$2,554.92
8 inch	\$2,163.33	\$2,871.55	\$3,129.99	\$3,380.39	\$3,650.82	\$3,942.89
10 inch	\$2,704.16	\$3,589.02	\$3,912.04	\$4,225.00	\$4,563.00	\$4,928.04
Monthly Volumetric Charges:						
Single-Family (Applied to <u>Avg. Winter</u> Water Use)	\$5.74	\$5.18	\$5.64	\$6.10	\$6.58	\$7.11
Multi-Family (Applied to <u>Avg. Winter</u> Water Use)	\$5.74	\$5.18	\$5.64	\$6.10	\$6.58	\$7.11
Commercial Charge (Applied to <u>Monthly</u> Water Use):						
Commercial 1	\$5.49	\$7.51	\$8.18	\$8.84	\$9.54	\$10.31
Commercial 2	\$6.42	\$8.32	\$9.06	\$9.79	\$10.57	\$11.42
Commercial 3	\$7.81	\$9.68	\$10.55	\$11.39	\$12.30	\$13.29
Commercial 4	\$8.86	\$12.03	\$13.12	\$14.17	\$15.30	\$16.52
Commercial 5	\$10.52	\$19.44	\$21.19	\$22.88	\$24.71	\$26.69
Commercial 6	\$17.56	\$32.26	\$35.17	\$37.98	\$41.02	\$44.30

DETACHED ACCESSORY DWELLING UNIT (ADU)

Residential properties with a detached Accessory Dwelling Unit (ADU) will be classified as multi-family residential and will be charged with additional monthly fixed charges for each detached ADU.

LIFT STATION SERVICE CHARGES

Due to Morgan Hill's varying topography, additional infrastructure is required to provide wastewater services to residents living at different elevations within the City. Lift station charges based on the cost of service to operate and replace this additional infrastructure will be charged to those residents living in the areas requiring the use of the additional infrastructure. Proposed lift station service charges are included on *Table 2: Proposed Lift Station Service Charge*. Maps that allow customers to determine if they fall within an area serviced by lift stations are available for review at:

<https://www.morganhill.ca.gov/DocumentCenter/View/24457/Customer-Sewer-Lift-Map?bidid=>

Table 2: Proposed Lift Station Service Charge

Lift Station Service Charge (As Applicable)						
	Current	10/1/2024	7/1/2025	7/1/2026	7/1/2027	7/1/2028
Amount	\$11.23	\$12.24	\$13.34	\$14.41	\$15.56	\$16.81
Total Percent Increase	N/A	9%	9%	8%	8%	8%

IMPACT TO WASTEWATER CHARGE ON THE BILL

If approved, wastewater rate increases would commence with the service period which contains October 1, 2024, and adjust annually for service periods containing July 1 thereafter.

The total amount of a customer's wastewater charge will depend on the amount of water used between the months of November and April. For an average single-family residence (7 units of wastewater), the wastewater charge on the utility bill will increase as shown below.

Table 3: Average Monthly Single-Family Residence Wastewater Charge (7 units)

		Under Proposed Rates				
	Current	10/1/2024	7/1/2025	7/1/2026	7/1/2027	7/1/2028
Wastewater	\$67.23	\$75.16	\$81.88	\$88.49	\$95.52	\$103.18

HOW TO PROTEST THE PROPOSED RATE ADJUSTMENTS

As the customer of record or owner 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 wastewater 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 account or 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 customer of record or owner 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; and (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: Rate Protest
17575 Peak Avenue
Morgan Hill, CA 95037-4128**

For more information, visit <https://www.morganhill.ca.gov/DocumentCenter/View/49150/2024-Sewer-Rate-Study-PDF>

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 August 28, 2024, hearing, please call or email the Clerk's office by 5 pm on Thursday, August 15, 2024.

City Clerk: (408) 779-7259, cityclerk@morganhill.ca.gov