

CITY OF BAKERSFIELD

NOTICE OF PUBLIC HEARING ON PROPOSED INCREASES TO CITY DOMESTIC WATER RATES

NOTICE IS HEREBY GIVEN that a public hearing accepting testimony will be held before the Bakersfield City Council at 5:15 p.m., or as soon thereafter as the matter may be heard, on Wednesday September 6, 2017 in the Council Chambers of City Hall located at 1501 Truxtun Avenue, Bakersfield, California, for the purpose of considering increases to Domestic Water Rates. The new rates, if adopted, will be phased in with the first increase on October 1, 2017, second increase on July 1, 2018, and third increase on July 1, 2019. In compliance with Proposition 218, affected property owners within the City of Bakersfield's Domestic Water Service area are hereby informed of the proposed increases to Domestic Water Rates.

Background:

Water rates for the City of Bakersfield's Domestic Water System are established annually pursuant to Chapter 2.18 of the Bakersfield Municipal Code, which allows the City to fully recover the costs of providing water service.

In early March 2017, the State Water Resources Control Board Division of Drinking Water (DDW) issued a Notice of Proposed Rulemaking for a new maximum contaminant level (MCL) for the synthetic organic chemical 1,2,3-trichloropropane (TCP). DDW requires that the City comply with the new regulation within the City's Domestic Water System area as early as the first quarter of 2018.

The City currently estimates that the initial capital costs alone for this mandatory remediation project will be approximately \$55 million. Although the Domestic Water Enterprise Fund is using its modest fund balance to fund part of the capital costs, the Domestic Water Enterprise will need to finance the remainder of this project with a Water Revenue Bond.

This borrowing will require a substantial user rate increase to fund the TCP treatment costs and cover the new debt service payments. In addition to the initial capital costs, the operation and maintenance will also increase due to the new State mandate. Water rates will also need to rise to cover these additional operating costs.

Domestic Water Rate Changes:

A rate study was completed to determine the necessary rate increases in order to comply with these new state mandates. A rate consultant (Stantec Consulting) determined that Domestic Water Rates need to rise in order to fund the additional capital, debt service and operating costs imposed due to the new State requirements.

Based on the special rate consultant's work, the following rate increases are proposed:

| Effective Date | Rate Increase |
|-----------------|---------------|
| October 1, 2017 | 16.0% |
| July 1, 2018 | 13.0% |
| July 1, 2019 | 7.6% |

Using the typical customer's consumption of 2,800 cubic feet per month for a ¾" meter, the proposed rate increases translate into the typical monthly water bill going from it's current \$36.20/month to: \$41.98/month with the first rate increase; \$47.39/month with the second rate increase; and finally \$50.89/month with the third rate increase (*individual customer water rates will vary based on actual usage*). **Rates are listed below in TABLE A.**

The implemented rates can never exceed the Council approved rates, but they can be lowered. If the City receives proceeds from the current litigation, the future year rate increases may be reduced.

This notice provides for a 45-day period where the ratepayers may review and/or protest the proposed rate increase. A Public Hearing will be scheduled for September 6, 2017 where Council will vote on implementing the proposed multi-year rate schedule.

TABLE A.

**General Metered Service
Within City Limits**

| Current Rates | Proposed Rates Oct 1, 2017 | Proposed Rates July 1, 2018 | Proposed Rates July 1, 2019 |
|----------------------|---------------------------------------|--|--|
|----------------------|---------------------------------------|--|--|

Quantity Rates:

| | | | | |
|------------------------|---------|---------|---------|---------|
| Per 100 cubic ft/month | \$ 0.94 | \$ 1.09 | \$ 1.23 | \$ 1.32 |
|------------------------|---------|---------|---------|---------|

Monthly Readiness-To-Serve Charge:

| | | | | |
|---------------------|-----------|-----------|-----------|-----------|
| 5/8" x 3/4" Service | \$ 9.88 | \$ 11.46 | \$ 12.95 | \$ 13.93 |
| 1" Service | \$ 15.06 | \$ 17.47 | \$ 19.74 | \$ 21.24 |
| 1-1/2" Service | \$ 22.98 | \$ 26.66 | \$ 30.13 | \$ 32.42 |
| 2" Service | \$ 31.28 | \$ 36.28 | \$ 41.00 | \$ 44.12 |
| 3" Service | \$ 57.80 | \$ 67.05 | \$ 75.77 | \$ 81.53 |
| 4" Service | \$ 84.02 | \$ 97.46 | \$ 110.13 | \$ 118.50 |
| 6" Service | \$ 151.00 | \$ 175.16 | \$ 197.93 | \$ 212.97 |
| 8" Service | \$ 232.12 | \$ 269.26 | \$ 304.26 | \$ 327.38 |
| 10" Service | \$ 319.95 | \$ 371.14 | \$ 419.39 | \$ 451.26 |

Monthly Private Fire Protection Service Charge:

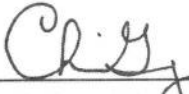
| | | | | |
|-------------------|----------|----------|----------|-----------|
| 1-1/2" Connection | \$ 9.33 | \$ 10.82 | \$ 12.23 | \$ 13.16 |
| 2" Connection | \$ 12.44 | \$ 14.43 | \$ 16.31 | \$ 17.55 |
| 3" Connection | \$ 18.66 | \$ 21.65 | \$ 24.46 | \$ 26.32 |
| 4" Connection | \$ 24.87 | \$ 28.85 | \$ 32.60 | \$ 35.08 |
| 6" Connection | \$ 37.30 | \$ 43.27 | \$ 48.90 | \$ 52.62 |
| 8" Connection | \$ 49.74 | \$ 57.70 | \$ 65.20 | \$ 70.16 |
| 10" Connection | \$ 62.17 | \$ 72.12 | \$ 81.50 | \$ 87.69 |
| 12" Connection | \$ 74.61 | \$ 86.55 | \$ 97.80 | \$ 105.23 |

"Monthly Readiness-To-Serve Charge" is applied to all services and any quantity of water used is an additional charge computed at the quantity rate.

If you have questions regarding this notice or how it may affect your property, call (661) 326-3715 Monday through Friday from 8:00 a.m. to 5:00 p.m. or email staff at water@bakersfieldcity.us. Supporting documentation is available for review at the City Clerk's Office, City Hall, 1600 Truxtun Avenue, Bakersfield, California 93301.

PUBLIC COMMENT will be accepted in writing on or before the hearing date indicated above at the City Clerk's Office. Any interested person, including property owners, may appear and be heard to protest against the Domestic Water Rate increases. Protests to the proposed increases must be delivered in writing to the City Clerk, City of Bakersfield, 1600 Truxtun Avenue, Bakersfield California 93301, prior to the conclusion of the public hearing on September 6, 2017.

All written protests must: 1) identify the assessor's parcel number 2) identify the address of the parcel and 3) include the name and signature of the property owner submitting the protest. If written protests are received from a majority of owners of the affected parcels, the proposed rate increases will not be approved.



 Christopher Gerry

Acting Clerk of the City of Bakersfield and
 Ex-Officio Clerk of the Council