



Public Services Department
600 S. Mountain Ave
Monrovia, CA 91016

ATTENTION:

This official notice contains important information about the proposed rate adjustment for water service.

PROPOSITION 218

**NOTICE
 OF PUBLIC HEARING
 ON PROPOSED RATE ADJUSTMENT
 TO THE WATER SERVICE CHARGE**

DATE: JANUARY 16, 2018
TIME: AT OR AFTER 7:30 P.M.
LOCATION: MONROVIA COUNCIL CHAMBERS
 415 SOUTH IVY AVENUE
 MONROVIA, CA 91016

On Tuesday, January 16, 2018, at or after 7:30 p.m., the Monrovia City Council will hold a public hearing to consider the proposed adjustment to the water rate as described in this notice. This notice and additional information is available on the City's website at www.cityofmonrovia.org/waterrates or by calling (626) 932-5575.

NOTICE - WATER RATE ADJUSTMENT

NOTICE OF PUBLIC HEARING ON PROPOSED RATE ADJUSTMENT TO THE WATER SERVICE CHARGE

DATE: Tuesday, January 16, 2018
TIME: At or after 7:30 P.M.

LOCATION: Monrovia City Council Chambers, City Hall
 415 South Ivy Avenue, Monrovia, CA 91016

Purpose of this Notice

You are receiving this notice because you are a property owner or tenant in the City of Monrovia. The Monrovia City Council will be holding a public hearing to consider a recommendation from City staff to adopt a proposed rate adjustment to the water service charge. This rate adjustment is being proposed following new and increased pass-through water assessments being levied on the City. The public hearing will be held on Tuesday, January 16, 2018, at or after 7:30 P.M., at the Monrovia City Council Chambers, located at 415 South Ivy Avenue, Monrovia, CA 91016. The new water service rates, if adopted, would go into effect for billing periods beginning on or after March 8, 2018.

Information on Proposition 218

In November 1996, California voters passed Proposition 218, or the "Right to Vote on Taxes Act," which amended the State constitution to require certain procedures be followed before local governments can create or increase property-related taxes, fees, or assessments. Through Proposition 218, the California Constitution requires local governments to give mailed notice of any property-related proposed fee changes to affected customers at least 45 days prior to holding a public hearing where the City Council will adopt or reject the changes, and to allow these customers to protest the rate adjustment. If a majority (50% + 1) of affected customers protest the proposed rate adjustment, then the City Council will not be able to adopt the new rates. On November 7, 2017, the City Council authorized City staff to proceed with the Proposition 218 process. A detachable Protest Mailer is included at the bottom of this notice for customers' use.

Community Meetings Regarding Proposed Water Rate Adjustment

The City has scheduled the following community meetings to give you the opportunity to learn more and ask any questions you may have after reading this notice and prior to the Public Hearing on January 16, 2018, at 7:30 p.m. in Council Chambers.

Day	Date	Time	Location
Thursday	November 30, 2017	7:00 p.m.	Monrovia Public Library (321 South Myrtle Avenue)
Wednesday	December 13, 2017	7:00 p.m.	Monrovia Public Library (321 South Myrtle Avenue)
Saturday	December 16, 2017	10:00 a.m.	Monrovia Public Library (321 South Myrtle Avenue)
Monday	December 18, 2017	7:00 p.m.	Monrovia Community Center (119 West Palm Avenue)
Wednesday	January 10, 2018	7:00 p.m.	Monrovia Public Library (321 South Myrtle Avenue)

Protest Mailer for the Proposed Water Rate Adjustment

You have the right to protest the proposed water rate adjustment. A majority protest exists if, at the end of the public hearing, there are written protests submitted by a majority of the metered customers subject to the rate adjustment. The City Council cannot adopt the proposed water rate adjustment if a majority protest exists. If you do not wish to protest the proposed rate adjustment, do not return this form.

I, _____, protest the City of Monrovia's proposed water rate adjustment.

Service Address: _____

Signature: _____

If you wish to use this form as your protest, please fill out and mail in a stamped envelope or hand deliver to the City Clerk's Office, **415 South Ivy Avenue, Monrovia, CA 91016**. The form must be received by the close of the Public Hearing on January 16, 2018.

About Monrovia's Water Utility

The City of Monrovia operates its own water utility, providing water service to approximately 9,500 service connections for both residential and commercial / non-residential customers. The City of Monrovia draws its water from multiple underground aquifers within the Main San Gabriel Basin ("Basin"), which is managed by the Main San Gabriel Basin Watermaster ("Watermaster"). From there, the water is pumped into five active wells and sent to two treatment facilities, where the water is treated to ensure the highest water quality. Nineteen boosters then pump the water into twelve reservoir tanks, which distribute the water to our customers using a gravity-based system via the City's approximately 80 miles of underground water pipelines. The Watermaster determines the amount of water each agency can pump annually from the Basin to ensure that our local water resource is sustainable. Every year, the City must purchase additional water rights, as needed, to meet its consumer demand. In Fiscal Year 2016-17, the City produced 6,933 acre feet of water, of which 759 acre feet was imported.

Water Utility Enterprise Funding

In order to pay for these water services, the City assesses a water fee each month to both residential and commercial / non-residential customers. The service charges are comprised of two components: 1) A fixed monthly water service ("stand by") charge based on the customer's water meter size; and 2) A per unit consumption charge that varies based on the amount of water used during each monthly billing period. Currently, a typical single-family residential customer pays \$15.34 for the water service charge and \$1.70 for the per unit consumption charge. The average single-family residential customer consumes 15 units of water per month, for an average total monthly cost of \$40.84.

The City maintains a separate Water Fund that consists of the utility billing / collection operations and the water service production / maintenance operations. The revenues collected from customers are restricted and may only be used toward the operations referenced above. Additionally, the City may only charge what it costs to fund the Water Fund. In Fiscal Year 2017-18, the total Water Fund budget is \$9,244,826.

Costs of Operating the Water Utility

Operational Costs – The City incurs expenses to operate the water utility, including costs for the personnel needed to conduct water treatment and water quality testing, reporting to regulatory agencies, as well as monitoring and repairing the booster pump system, well field, reservoir tanks, and water pipelines. Operational costs also include the personnel needed to conduct utility billing and collection.

Capital Replacement and Maintenance Costs – The City must conduct regular maintenance on the water system infrastructure and replace aging or damaged components, including the booster pump system, well field, reservoir tanks, water pipelines, and related street infrastructure.

Costs of Purchasing Additional Water / Pass-Through Assessments – Regulatory agencies that manage the groundwater resources in our region have the ability to levy pass-through assessments onto the City. The Main San Gabriel Basin Watermaster ("Watermaster") is an adjudicated agency that manages groundwater in the Los Angeles County region and administers adjudicated water rights within the watershed and groundwater basin known as the Main San Gabriel Groundwater Basin ("Basin"). Additionally, the Upper San Gabriel Valley Municipal Water District ("Upper District") purchases and resells available imported water to local agencies within the Basin.

Each year, the City is allotted a percentage of the water available in the Basin that can be produced without incurring additional costs. This allotment is known as the Operating Safe Yield and it is established by the Watermaster on an annual basis based on a multitude of factors, including current groundwater levels and the overall health of the Basin's water supply. If the City pumps more than it is allowed by right, the City has to pay an overproduction replacement cost established by Upper District for every acre foot that exceeds its base allocation. Currently, the City is allowed to produce an amount of water equal to 3.095% of the annual Operating Safe Yield without being required to pay overproduction charges. Finally, the City may be required to purchase additional water from other agencies in order to ensure enough water supply to meet its consumer demand.

Reasons for the Proposed Rate Adjustment

The Basin is currently experiencing unprecedented drought conditions that require drastic measures be taken to replenish the water supply and raise groundwater levels. For nearly six years, the Basin has sustained the worst-ever drought conditions on record. Even though California received record rainfall this past year, which led Governor Brown to declare the State of California drought free on April 4, 2017, the situation in the Basin is still dire, as the condition of the aquifer means that our region is still in a serious drought condition.

In order for the Basin aquifer to be considered healthy, groundwater levels at the Key Well need to consistently be above 200 feet, with a recommended operating level of 250 feet. The lowest that our groundwater levels have ever reached was 172.2 feet in October 2016. As of November 3, 2017, the current key well level was 183.2 feet. These dangerously low groundwater levels threaten to render 10% of all water production wells in the Basin inoperable, which could lead to widespread water shortages.

Historically, the Basin's water management plan relied on rain to recharge our underground aquifer. However, in response to the extended drought, the Watermaster recently developed a Drought Management Plan, which involves purchasing imported water to help replenish the Basin.

As part of the Drought Management Plan, in May 2017, the Watermaster implemented directives that create two significant new costs for water production on all retail water producers in the San Gabriel Valley, which entails approximately 30 agencies, including the City of Monrovia. These new costs are as follows:

New Water Production Development Assessment: This is a direct assessment on every acre-foot of water produced. The Watermaster will use these funds to purchase and import water into the Basin. These fees are as follows:

- FY 2017-18: \$115 / acre-foot
- FY 2018-19: \$150 / acre-foot
- FY 2019-20: \$185 / acre foot
- FY 2020-21: \$220 / acre-foot
- FY 2021-22: \$220 / acre-foot

Reduction in the Basin's Operating Safe Yield: As described above, the Operating Safe Yield dictates how much water each agency can produce annually without having to pay an additional replacement water cost. These fees are as follows:

- FY 2017-18: \$798 / acre-foot
- FY 2018-19: \$841 / acre-foot
- FY 2019-20: \$886 / acre foot
- FY 2020-21: \$938 / acre-foot
- FY 2021-22: \$979 / acre-foot

Both of these additional assessments are intended to pay for the cost of replacement water imported into the Basin. Recently, the Watermaster made a large purchase of water, approximately 40.7 billion gallons, which cost over \$100 million. That water will be transported into the Basin to replenish the aquifer and ensure continued water supply for our region. The cost of purchasing and importing this water will be split among all of the communities and agencies that use this water, including the City of Monrovia. Because these pass-through assessments are not currently incorporated into the City's existing water rates, it is necessary to implement a rate adjustment to incorporate these costs to ensure the fiscal sustainability of the Water Fund.

To help explain the reasons for the proposed water rate adjustment, the City has created an overview video that can be viewed online at www.cityofmonrovia.org/waterrates.

Proposed Rate Adjustment

The proposed water rate adjustment take into consideration the City's ongoing operational costs, the costs of capital replacement and maintenance, and the costs of purchasing additional water, which includes pass-through assessments, as outlined above.

Residential customers account for approximately 70% of all water service customers. Currently, the typical single-family residential customer pays an average of \$40.84/month for water service based on 15 units of water consumption. Based on the proposed rates, these residential customer bills will increase by \$16.87/month in 2018, bringing the typical residential customer bill to \$57.71/month. Rates will continue to increase through 2022, when it is estimated that the typical residential bill will be \$77.70/month, which is \$36.86/month more than what residents are paying today. For the typical single-family residential household, the proposed annual water rate adjustments through 2022 are outlined in **Table 1** below.

Future development projects will result in the need to purchase additional imported water, which is more expensive than producing the water locally from the Basin. Therefore, the City is proposing a separate water rate tier for new developments that add five (5) or more units to the City. These developments will be assessed a tiered water rate that reflects the actual cost of importing water into Monrovia. This will ensure that existing residents and businesses are not forced to bear the added cost of importing additional water into the City to serve a new population base.

The proposed monthly water rates for residential customers with meter sizes greater than 3/4 inch, commercial / non-residential customers, and new developments greater than 5 units are available by visiting www.cityofmonrovia.org/waterrates.

Senior/Low Income/Veteran Discounts

A discount will continue to be offered to residents for whom the proposed rate adjustment would present an undue burden. The discounts are available to qualifying customers who are seniors (65+), economically disadvantaged, and veterans. To apply, please visit www.cityofmonrovia.org/waterrates.

Annual Cost Adjustment Methodology

If adopted, the proposed water rate structure will include an annual adjustment through 2022. These rates have been calculated based on the amounts needed to recover the total water pass-through assessments being levied by the Watermaster and Upper District. The initial rate adjustment will go into effect in March 2018, and the annual adjustments will take effect in January 2019, January 2020, January 2021, and January 2022.

Table 1. Proposed Water Rate Adjustment - Impact on Typical Single-Family Residential Customers

Service Description	Current Monthly Water Rates	Proposed Monthly Water Rates				
		Effective 3/8/18	Effective 1/1/19	Effective 1/1/20	Effective 1/1/21	Effective 1/1/22
Water service charge for a typical single family residence (5/8 inch or 3/4 inch meter sizes)	\$15.34	\$30.56	\$34.53	\$37.12	\$39.91	\$41.10
Per unit consumption rate (748 gallons/unit)	\$1.70	\$1.81	\$2.05	\$2.20	\$2.37	\$2.44

How to Protest the Proposed Rate Adjustment

All interested persons are invited to attend the public hearing and be heard about the proposed adjustment to the service charge for water service. All metered water customers receiving water service may protest the proposed service charge adjustment by submitting a written protest by mail or in person to the City Clerk's Office, 415 South Ivy Avenue, Monrovia, CA, 91016. Written protests must be received (not postmarked) by the City Clerk before or during the public hearing. Any protest submitted by e-mail or other electronic means will not be accepted.

The protest must be signed by the metered water customer and must include the street address(es) of all property(ies) serviced. Only one written protest per metered water customer will be counted for purposes of determining whether there is a majority protest.

This notice is being sent to all metered Monrovia water customers. If you are responsible for more than one bill, you will receive more than one notice. Each metered water customer will be allowed one protest vote per meter.

Additional information about the proposed rate adjustment may be found at www.cityofmonrovia.org/waterrates or by calling (626) 932-5575.