



City of Newport Beach
P.O. Box 1768
Newport Beach, CA 92658-8915

TO: Doe, John & Jane
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Newport Beach, CA 94590

City of Newport Beach Information and Notice of Public Hearing
Protest Procedure of Proposed Water Rate Charges

EXTRA SPACE

Proposed Water Rate Increase

Notice of Public Hearing and Protest Procedure

NOTICE IS HEREBY GIVEN that on **Tuesday, November 10, 2009**, at **7:00 p.m.**, a public hearing will be conducted in the City Council Chambers (Building A) at 3300 Newport Boulevard, Newport Beach, CA 92663.

This will be a public hearing before the Newport Beach City Council to allow public testimony and discussion of the proposed water rate increases described within this notice. The City Council will take written and oral comments that evening. They will also consider all written protests against the proposed charges, determine if a majority protest exists, and consider resolutions to adopt the water rate charges.

How to File a Written Protest

Written protests must be filed with the City of Newport Beach City Clerk. Written protests may be hand delivered or mailed to the City Clerk at 3300 Newport Boulevard, Newport Beach, California 92663. To be valid, written protests must state opposition to the proposed water rate increase, identify the parcel (by assessor's parcel number or street address), and include the original signature of the water service customer or property owner. Written protests may be submitted up to the conclusion of the public testimony at the public hearing on November 10, 2009.

About Proposition 218

In November 1996, California voters approved Proposition 218. As a result, California agencies must comply with its requirements when setting utility rates. One provision requires that a noticed public hearing on utility rates be held and that rates not be increased if a majority of affected property owners protest the increased rates in writing.

Frequently Asked Questions

Q. What does my water bill pay for?

A. Your Newport Beach water bill covers the following categories costs and services:

- The annual operation and maintenance of the water system, including well and pump station operations, water treatment and testing, and water division employee salaries.
- The cost the City incurs to purchase imported and groundwater. The City purchases imported water from the Municipal Water District of Orange County and groundwater from the Orange County Water District.
- The repair and replacement of pipes, pump stations, facilities and equipment to improve the water system safety, efficiency and reliability. No debt for this purpose is proposed and all improvements will be "paid as we go" with rate revenue.

Q. Why do the rates need to be raised?

A. Newport Beach is not immune to the increases in delivery costs and the scarcity of water seen throughout California over the past several years. Operating expenses, particularly chemical and electrical costs, have increased by an average of 6% over the last four years. This year the cost of imported water increased by 20% on September 1, 2009 and will increase by another 22% on January 1, 2011. In addition, capital expenditures are required to maintain the water delivery system. The City has not raised its water rates since 2005. The existing rates do not provide enough revenue to meet the expenses necessary to operate the water system to provide a safe and reliable water supply to City customers for the next five years.

The need to balance the revenues with the purchase water costs, operations, maintenance, and capital improvement expenditures is a necessity. In addition, reserve levels have fallen below Council policy levels. It is the goal to establish full reserve levels by the year 2014.

The City of Newport Beach receives its water from two primary water sources.

1. Groundwater from the four City owned wells in Fountain Valley
2. Import water supplied by the Metropolitan Water District (MET), purchased through the Municipal Water District of Orange County (MWDOC)

Currently 62% of the City's water supply is from our groundwater sources while the remaining 38% is purchased from MWDOC. The percentage of water from our groundwater source is based on water available in the underground water basin managed by the Orange County Water District (OCWD). Facing a third year of below average rainfall, the basin levels continue to drop. The amount of water we pump from the basin has been reduced this year by 7%, following a reduction of 5% from the previous year.

MET has experienced water supply issues not only from the lack of rainfall but by a court ordered pumping restriction from the Sacramento-San Joaquin Delta in an effort to protect endangered species. Prior to the cutbacks from the Delta, MET received nearly half of its water from Northern California through the California Aqueduct and the remainder from the Colorado River through the Colorado River Aqueduct. As a result of these cutbacks and lack of rainfall, MET has imposed water allocations (set at 15% reduction) for the first time to all agencies it serves in Southern California. These allocations took effect July 1, 2009. Should the City not meet these reductions, MET will charge approximately three times the standard rate for water.

Q. How is my water bill calculated?

- A. A customer's water bill is a component of the municipal services statement sent to City water customers. Each bill will have two components:
1. **Water Service Charge (Fixed):** This charge is based on the customer's water meter size. Most single-family residential properties have a 3/4, or 1 inch meter. This charge is designed to recover the costs of reading, maintaining, and replacing the water meters. Additionally, this charge includes a capital component. The capital component is to be used for repairs and improvements to the water system identified in the Water Master Plan.
 2. **Water Usage Fee (Variable):** This charge is based on the amount of water used and is calculated by multiplying the number of hundred cubic feet units (HCF) of water used by the unit rate per HCF. One HCF is equal to 748 gallons. This charge is geared primarily towards recovering the costs associated with City water purchases, treatment, and distribution costs.

In an effort to promote water conservation, the California Urban Water Conservation Council defines a water conservation rate structure as a structure that collects a minimum of 70% of the total revenue from water usage fees. The idea behind the structure is that as a customer's usage increases, so does the cost; thus incentivizing and encouraging conservation. Approximately 70% of the proposed total revenue collected from the water bill comes from the Water Usage Fee and 30% of total revenue comes from the Water Service Charge. The following table displays the rates for each component until the year 2014.

Q. How can I find out how the rate change affects my bill?

- A. Start by looking at your Municipal Services Statement (a sample has been provided). You'll see a notation like "**WATER SERVICE .75**". This means that the water meter at your home or business is a 3/4" meter. Next, look at the "Current and Proposed Water Rates" chart that follows on this notice. If you have a 3/4" meter, the rate will go from \$9.00 for each two-month period to \$16.54 for each two-month period.

Using the same sample provided, if you used the same 18 HCF of water, your total charge for water use ("WATER USE HCF"), would go from \$37.44 to \$39.60 for the two-month period. As you can see, the monthly meter charge will go up more than the use or "commodity" charge under the proposed rates.

If you still have questions about how your bill might be impacted, call or e-mail the City using the number or address at the end of this notice.

SAMPLE

MUNICIPAL SERVICES STATEMENT

BILLING DETAILS			
		Route: 010	
SERVICE PERIOD:	06/18/09 to 08/13/09		
Current Reading: 796			
WATER CHARGES:	QTY:	RATE:	TOTAL:
WATER USE HCF	18.00	\$2.08	\$37.44
WATER SERVICE .75"	1.00	\$9.00	\$9.00

This is how much water you used.

This is where to find your meter size.

Current and Proposed Water Rates

Monthly Water Usage Fee (cost per HCF)

	Current	1	2	3	4	5
	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014
Commodity Charge	\$2.08	\$2.20	\$2.46	\$2.73	\$2.96	\$3.08

Monthly Water Service Charge

	Current	1	2	3	4	5
	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014
5/8" or 3/4"	\$4.50	\$8.27	\$13.09	\$15.11	\$16.63	\$17.27
1"	\$5.50	\$13.78	\$21.82	\$25.19	\$27.72	\$28.79
1 1/2"	\$7.00	\$27.55	\$43.64	\$50.38	\$55.43	\$57.58
2"	\$9.50	\$44.08	\$69.82	\$80.61	\$88.69	\$92.12
3"	\$18.00	\$82.65	\$130.91	\$151.14	\$166.30	\$172.73
4"	\$25.50	\$137.75	\$218.18	\$251.90	\$277.16	\$287.88
6"	\$38.50	\$275.50	\$436.37	\$503.81	\$554.32	\$575.76
8"	\$45.00	\$440.80	\$698.19	\$806.09	\$886.91	\$921.22
*10"	\$45.00	\$792.34	\$1,254.99	\$1,448.95	\$1,594.22	\$1,655.90
*12"	\$45.00	\$1,274.47	\$2,018.64	\$2,330.61	\$2,564.27	\$2,663.48

* Currently, all water meters sized 10 inch and above are owned and used by the City of Newport Beach. However, Proposition 218 requires the City to list these charges should a customer obtain this size of meter in the future.

For more detailed information regarding the proposed rates or Utility Financial Plan, please visit our web site at: www.newportbeachca.gov/WaterRates

Need More Information? If you have questions, please call George Murdoch, Utilities Director at (949) 644-3011 or e-mail at utilitieshelp@newportbeachca.gov .