

**NOTICE OF PUBLIC HEARING
CONCERNING RATE INCREASES FOR
CITY OF MONTAGUE
WATER & WASTEWATER SERVICES**

Regarding Assessor's Parcel Number:

Dear Customer and/or Property Owner:

The City of Montague is considering raising its water and wastewater rates to have sufficient funding to maintain and operate its water and wastewater system. Prior to raising rates, the City must hold a public hearing and allow customers and property owners the opportunity to protest rate adjustments. If customers or property owners representing a majority of the parcels served lodge a protest, the City Council may not proceed with the rate increase.

HOW TO PROTEST

The protests may be lodged in writing with the City Clerk at City Hall prior to the public hearing or at the public hearing. The protest must state whether it applies to the water rate or wastewater rate or both. The protest must also show the Assessor's Parcel Number ("APN") for the parcel or parcels to which the protest applies.

NOTICE OF PUBLIC HEARING

The public hearing on the proposed water and wastewater rate increases will be held:

Tuesday, February 23rd, 2021 at 6:30 p.m.
at
Montague Community Hall
200 South 11th Street
Montague, CA 96064

The Hall will be configured to allow appropriate social distancing. Wearing of masks will be required. If you cannot attend, please call 1-712-832-8330 and enter conference code 8481653#

INTRODUCTION

According to the State Constitution, Article 13D, an engineering study must be undertaken to determine the cost of operation of water and wastewater systems prior to any rate increase. The City Engineer has completed those studies. Those studies are available at City Hall, 230 S 13th Street, Montague, CA. The studies show the City is not charging enough to cover its costs of operation, maintenance and replacement of the water and wastewater treatment facilities and infrastructure.

BACKGROUND INFORMATION

The City of Montague's surface water supply is obtained from two sources. The winter source is from the Little Shasta River and the summer supply is from Lake Shastina. Water from both these sources is conveyed to the City's raw water storage ponds by the Montague Water Conservation District's system of irrigation canals.

In recent years there have been upgrades to the City's Water System. In 2008 a new 1 Million Gallon water storage tank was put online. Then in January of 2015 a new water treatment plant was incorporated

into the City's Water System. These improvements replaced the old water treatment plant that had been in operation since 1975 and an old tank that had been online since 1976.

The quality of the raw water varies depending on the source, the time of year, whether it is a drought year, etc. It can be quite good or very poor and is always difficult and expensive to treat.

The majority of Montague's wastewater collection system was installed in 1953. The existing treatment facility was constructed in 1978. The treatment facility was upgraded with the addition of aeration in 1986. There have been additions to the aeration system on a continuous basis over the years to accommodate the growth in the community. The biggest problem facing the wastewater system in previous years was the high level of inflow and infiltration, during wet years, into the collection system. This issue was resolved with the replacement of several sewer mains in 2015. Currently, there is a need to begin replacing pumps and motors installed at the time of original construction of the sewer treatment plant in 1978.

RATES

The table(s) attached with this notice summarizes the proposed rate changes. These changes represent the monthly impact to the typical single-family customer.

The proposed rate structure will not only adequately fund existing operation and maintenance, but also set aside money for replacement costs (capital reserve fund). It will also render the City eligible for State funding.

The State requires the average water bill (this is only the water portion of the monthly utility bill) to be at least 1.5% of the median family monthly income for the community. If the City is not collecting that amount, the City will not qualify for any grants or loans.

WHY ARE RATES PROPOSED TO BE INCREASED?

Revenues from rates pay for maintenance and operation of the utilities and for many capital replacements costs or upgrades. Each utility is treated as a stand-alone entity to account for expenditures. Several factors have contributed to the increase in costs. In general, for all utilities, increased costs for materials, chemicals, labor, equipment, fuel, and unfunded State and Federal mandates increase costs. Mandates add to the cost of operation but do not cover the costs that the City will incur to meet the State and Federal Mandates. In addition, as the City continues to increase in population, there are costs associated with maintaining more facilities and handling greater volumes. Specific issues vary by utility.

The need for a rate increase in both the water and sewer bills is driven by four primary factors. **First**, a significant increase in regulations has increased costs, both in monitoring and changing treatment strategies. **Second**, a modification or replacement of the existing sewer treatment plant because of its age and operational requirements is necessary. **Third**, the need to increase the rate of growth of a capital reserve fund. **Lastly**, just the increased cost of operating and maintaining the water and wastewater systems.

Drinking water regulations are developed by USEPA and enforced by the Drinking Water Division of the California Dept. of Public Health (CDPH). USEPA has, over the past 25 years, significantly increased the number of regulated substances in the water as well as tightened a number of existing regulations. To meet these requirements, Montague must spend more than surrounding communities to treat its water. Other regulations require operational changes at the treatment plant which impact costs. A change in Cal-OSHA regulations forced the City to change from using gas chlorine for disinfection, to using liquid chlorine.

Regulations for the wastewater plant are developed by USEPA and enforced at the state level by the Regional Water Quality Control Board. The sewer treatment plant has had several state discharge permit violations due to the effluent, coming out of the plant, having higher levels of contaminants than are allowed by the Regional Water Quality Control Board. The State in the near future will most likely mandate that the City upgrade the Sewer Treatment Plant to meet their state discharge permit, this will require that the Sewer Capital Reserve Fund be well funded, which is one of the reasons for a rate increase.

WASTEWATER CAPITAL RESERVE FUND

The wastewater treatment plant is a much simpler system when compared to the new water treatment plant. It has much less equipment. It is mainly made up of pump lift stations, sewer treatment ponds, and aerators. There are some pumps that have reached the end of their life and will need replacement as soon as funding is available.

The minimum annual contribution that should be deposited into the sewer capital reserve fund per the engineering study for capital replacement of the wastewater system is \$273,300 and the amount currently being set aside is \$66,000. This is only 25 percent of what is required to be able to have a reserve account that could fund upgrades to the current system whenever they become necessary. It is recommended that the City begins gradually increasing the amount being deposited into the wastewater capital reserve fund, which is again one of the reasons for the sewer rate increase.

WATER CAPITAL RESERVE FUND

The City water treatment plant pumps at the rate of 55 million gallons a year and runs about 17- 18 hours a day in the summer and runs about 3-4 hours a day in the winter. The plant was built in 2015 and has a design life of approximately 25 to 30 years. The present value of the entire water system is approximately \$15,000,000 million dollars. This includes the treatment plant, the storage tank, and the distribution piping system. A rate increase is necessary to keep up with the increasing costs of water production, system maintenance, and capital replacement.

Presently there is about \$1,876,000 in the water capital reserve fund, not near enough to cover replacement costs. About \$174,600 is being set aside into the capital reserve fund annually. It is recommended that the City set aside \$284,000 annually for capital replacement costs, based on the engineering study. The primary reason for the capital reserve fund is to provide for the replacement of components of the Water System as they reach the end of their design life.

(For example: A section of pipe installed in 1970 has an expected life of 100 years, so for that period, a small amount should be set aside on a monthly basis to provide funds for replacement at the end of 70 years.)

Unfortunately, that has not been done to the extent that it should have for a variety of reasons. Consequently, there is now only 50 years to accumulate the funds instead of the original 100.

Another reason for substantially increasing the capital reserve fund is that now all the grant and loan agencies are requiring that an account be in place, and be well funded, prior to any grant or loan funds being offered. This was not the case in most of the City's past grant and loan projects. Therefore, the development of a larger capital reserve fund (basically, a larger savings account) is a necessity for the City to be eligible for grant and loan assistance.



PROPOSED WATER AND SEWER RATE INCREASE SCHEDULE

	Current	March 2021	March 2022	March 2023	March 2024	March 2025
Monthly Water Base Rate	\$45.55	\$36.50	\$37.38	\$38.27	\$39.19	\$40.13
Water Maintenance Bond	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00
MWCD	\$2.10	\$2.10	\$2.10	\$2.10	\$2.10	\$2.10
Total Water Bill=	\$52.65	\$43.60	\$44.48	\$45.37	\$46.29	\$47.23
Consumption Rate Per Thousand Gallons	\$2.86	\$3.29	\$3.78	\$4.35	\$5.00	\$5.75
Monthly Sewer Charge=	\$31.80	\$34.98	\$38.48	\$42.33	\$46.56	\$51.21
Total Minimum Monthly Bill=	\$84.45	\$78.58	\$82.95	\$87.70	\$92.85	\$98.45

NOTES:

1. Monthly sewer charge will increase by 10% each year.
2. The monthly water base rate will increase by 2.4% each year.
3. The consumption rate per thousand gallons will increase by 15% each year.
4. MWCD Fees: The MWCD pass-through fee will increase if fees are raised by the Montague Water Conservation District.