

Proposition 218 Notification and Protest Hearing Process

Summary

The Lodi City Council will consider proposed future water, wastewater, and contracted solid waste rate increases at a public hearing at 7:00 p.m., Wednesday, March 20, 2019, at the Carnegie Forum, 305 West Pine Street, Lodi, CA. A majority protest would stop the proposed future rate increases. If you wish to protest the proposed increases written protests may be made in person at the public hearing or delivered prior to the hearing to:

City of Lodi

**Attention: City Clerk
221 West Pine Street
Post Office Box 3006
Lodi, California 95241-1910**

Written protests must be received by the end of the public hearing, including those mailed to the City. No postmarks will be accepted; therefore, any protest not physically received by the close of the public hearing, whether or not mailed prior to the hearing, shall not be counted.

Explanation of Protest Process

Proposition 218 requires that the City provide a notice of the proposed future rate schedule to all property owners forty-five (45) days prior to holding a public hearing. If a majority of the property owners, or renters who pay the utility bill, file oppositions to the increase, the increase will not take effect. A protest must contain a description of the property owned sufficient to identify the property. The address or assessor's parcel number is shown on this mailing.

If the name on the written protest is not shown on the last equalized assessment roll of San Joaquin County as the owner of the property or on the utility account, the signer of the protest must also submit written evidence of ownership or rentership and financial responsibility for the utility account.

At the public hearing, Council shall hear all protests and tabulate written protests. One written protest per parcel, filed by the owner or tenant (paying the utility bill) of the parcel shall be counted in calculating a majority protest to a proposed new fee or charge subject to the requirements of Section 6 of Article XIII D of the California Constitution. If the votes conflict, the City will count the no vote.

Explanation of Proposed Future Increases

City Staff is requesting that the City Council authorize continuation of the existing practice of inflationary based adjustments to water and wastewater rates in an amount up to the lesser of three percent (3%), or the actual amount of annual inflation, for the next five years, to pay for anticipated operating and maintenance costs, debt service obligations, and capital program needs as well as the maintenance of prudent financial reserves for both the water and wastewater utilities. The initial increase in water rates would be effective on April 1, 2019, followed by

inflationary adjustments each January 1st from 2020 through 2023. Wastewater rate adjustments would occur each July 1st from 2019 through 2023. In accordance with the City's existing solid waste franchise agreement with Central Valley Waste Services (Waste Management), solid waste rate adjustments would occur each April 1st from 2019 through 2023.

For water and wastewater rate setting purposes, the City of Lodi determines inflation as the annual percentage increase in the *Engineering News Record's* 20-Cities Construction Cost Index ("ENR"). The change in the ENR for 2018 was 2.9 percent. Therefore, City staff proposes that the initial increases for both water and wastewater rates be 2.9 percent. Water rates would initially be adjusted effective April 1, 2019 and wastewater rates would initially be adjusted effective July 1, 2019.

Thereafter, water rates would be adjusted each January 1st from 2020 through 2023 based on the annual change in the ENR as of September 30th, subject to a three percent (3%) annual cap. An exception will occur in January 2021. At that time, water rates will be **reduced** to the rates that existed in 2016, as previously approved by the City Council in Resolution No. 2017-23.

After the initial wastewater rate increase in July 2019, wastewater rates would be adjusted each July 1st from 2020 through 2023 based on the annual change in the ENR as of March 31st subject to a three percent (3%) annual cap.

In accordance with the City's existing solid waste franchise agreement with Waste Management, the City of Lodi proposes to continue increasing contracted solid waste charges by the amount equal to 80 percent of the annual change in the Consumer Price Index (CPI) for all Urban Consumers for San Francisco-Oakland-San Jose, California Area, All Items (1982-84=100) plus an adjustment for extraordinary increases in landfill fees, fuel and energy costs, and changes in law up to 100 percent of the change in the CPI; or 100 percent of the annual change in the CPI without the other adjustments but with a certification that costs had increased by more than 100 percent of the change in the CPI. To comply with new State law, a new category of solid waste rates is proposed to be added and titled, "Commercial Organic Collection and Processing Services." These new proposed organic collection rates will not affect single family residential customers at this time. The proposed initial adjustment to water and wastewater rates, as well as the maximum potential future water, wastewater, and contracted solid waste rates based on this proposal are presented in the schedules at the end of this notice. The schedules include both flat rates and metered (usage-based) rates for both water and wastewater utilities. No changes to the water or wastewater rate structures are proposed at this time.

Explanation of Proposed Temporary Water Shortage Rate Surcharges

With metered water rates, water usage restrictions during an extended drought can have a financial impact on the water utility because the reduction in water sales revenue can exceed the reduction in water system costs. The proposed temporary water shortage rate surcharges were calculated by assigning a portion of the estimated financial deficit created by water shortage conditions to customers in proportion to each customer's metered water usage. This approach ensures that each customer bears a proportionate share of the costs associated with water shortage conditions.

If adopted, the proposed temporary water shortage rate surcharges, as set forth herein, would only be implemented when the City Council declares a water shortage emergency necessitating mandatory water use reductions exceeding 10 percent. Temporary water shortage surcharges would be applied to the water usage rates (but not to monthly service charges or flat water rates), and the amount of the surcharge would vary with the magnitude of required water use reductions. Water shortage rate surcharges have been designed such that customers meeting water use reduction goals will have lower water bills than their normal water bills with normal water usage.

The proposed temporary water shortage rate surcharges are expressed as a percentage of the normal water usage rates. The amount of the surcharge would depend on the water use reduction goal established by the City Council. The specific rates shown in this notice are an example, based on proposed (April 2019) water rates. As an example, with Minor Shortage conditions a five percent (5%) water shortage rate surcharge would temporarily increase the Tier 1 residential water usage rate from \$1.00 per CCF to \$1.05 per CCF (a surcharge of \$0.05 per CCF). Other water usage rates would be similarly affected as shown in surcharge schedule. Monthly service charges and the flat rates for unmetered customers would be unaffected. The temporary surcharge would be rescinded when the City Council declares an end to mandatory water use restrictions.

The City Council currently has no plans to implement the proposed temporary water shortage rate surcharges, but they would be available to help address financial needs during a future drought. Adopting the surcharges at this time would enable timely implementation during a future water shortage condition.

Explanation of Proposed Commercial Organic Collection and Processing Services Rates

Assembly Bill 1826 was passed in September 2014 to aid in meeting the statewide goal of diverting 75 percent of waste from landfills by 2020. The law requires businesses, including state and local agencies with businesses that generate certain amounts of organic waste per week, to have organic waste recycling programs on or after April 1, 2016. Organic waste includes food waste, green waste, landscape and pruning waste, nonhazardous wood waste and food-soiled paper.

AB 1826 has phased thresholds triggering when agencies must have a program in place to comply with the law. The City of Lodi has not had any qualifying businesses until January 1, 2019 when the threshold was reduced to require agencies to have a program in place to accommodate businesses generating 4 or more cubic yards of solid waste per week. Residential customers will not be affected by these new rates.

Basis of Proposed Rate Calculation

The proposed annual water and wastewater rate adjustments are justified based on estimated future costs associated with ongoing operation and maintenance, existing debt service obligations, and capital program needs as well as the need to maintain prudent financial reserves. The water and wastewater rate revenue requirements were determined based on financial plans developed as part of a water and wastewater rate study. The *Water and Wastewater Rate Study*, prepared for the City of Lodi by The Reed Group, Inc., is available at www.lodi.gov or at the Public Works counter in City Hall during regular business hours. The rationale and calculations

of the temporary water shortage rate surcharges are also described in the Rate Study. The proposed annual contracted solid waste rate adjustments are based on the City of Lodi's existing franchise agreement with Waste Management for Solid Waste Collection.

Conclusion

If you have any questions regarding this notice, please call the Public Works Department at (209) 333-6706 between 7:30 a.m. and 5:30 p.m., Monday through Thursday, and between 8:00 a.m. and 5:00 p.m. on Friday. City Hall is closed every other Friday.

JENNIFER M. FERRAIOLO, City Clerk
City of Lodi

City of Lodi
Current and Proposed Maximum Water Rate Schedules

	Current (1)	Apr. 2019 (2)	Jan. 2020 (3)	Jan. 2021 (1)	Jan. 2022 (3)	Jan. 2023 (3)
Rate Adjustment -->		2.9%	3.0%	-8.4%	3.0%	3.0%
Monthly Flat Water Rates (Unmetered)						
Single Family Residential						
1 bedroom	\$ 32.84	\$ 33.79	\$ 34.80	\$ 31.88	\$ 32.84	\$ 33.83
2 bedroom	\$ 39.44	\$ 40.58	\$ 41.80	\$ 38.29	\$ 39.44	\$ 40.62
3 bedroom	\$ 47.27	\$ 48.64	\$ 50.10	\$ 45.89	\$ 47.27	\$ 48.69
4 bedroom	\$ 56.79	\$ 58.44	\$ 60.19	\$ 55.14	\$ 56.79	\$ 58.49
5 bedroom	\$ 68.11	\$ 70.09	\$ 72.19	\$ 66.13	\$ 68.11	\$ 70.15
Multi-Family Units						
1 bedroom	\$ 28.19	\$ 29.01	\$ 29.88	\$ 27.37	\$ 28.19	\$ 29.04
2 bedroom	\$ 33.81	\$ 34.79	\$ 35.83	\$ 32.82	\$ 33.80	\$ 34.81
3 bedroom	\$ 40.58	\$ 41.76	\$ 43.01	\$ 39.40	\$ 40.58	\$ 41.80
4 bedroom	\$ 48.68	\$ 50.09	\$ 51.59	\$ 47.26	\$ 48.68	\$ 50.14
Non-Residential						
Per ESFU	\$ 39.44	\$ 40.58	\$ 41.80	\$ 38.29	\$ 39.44	\$ 40.62
Monthly Service Charges (Metered)						
Up to 3/4" meter	\$ 21.87	\$ 22.50	\$ 23.18	\$ 21.23	\$ 21.87	\$ 22.53
1" meter	\$ 34.34	\$ 35.34	\$ 36.40	\$ 33.34	\$ 34.34	\$ 35.37
1 1/2" meter	\$ 65.25	\$ 67.14	\$ 69.15	\$ 63.34	\$ 65.24	\$ 67.20
2" meter	\$ 102.52	\$ 105.49	\$ 108.65	\$ 99.53	\$ 102.52	\$ 105.60
3" meter	\$ 189.50	\$ 195.00	\$ 200.85	\$ 183.98	\$ 189.50	\$ 195.19
4" meter	\$ 313.73	\$ 322.83	\$ 332.51	\$ 304.59	\$ 313.73	\$ 323.14
6" meter	\$ 624.03	\$ 642.13	\$ 661.39	\$ 605.85	\$ 624.03	\$ 642.75
8" meter	\$ 996.55	\$ 1,025.45	\$ 1,056.21	\$ 967.52	\$ 996.55	\$ 1,026.45
10" meter	\$ 1,431.26	\$ 1,472.77	\$ 1,516.95	\$ 1,389.57	\$ 1,431.26	\$ 1,474.20
Water Usage Rates (Metered) -- \$/CCF						
Single Family Residential						
Tier 1 (0-10 CCF)	\$ 0.97	\$ 1.00	\$ 1.03	\$ 0.94	\$ 0.97	\$ 1.00
Tier 2 (11-50 CCF)	\$ 1.29	\$ 1.33	\$ 1.37	\$ 1.25	\$ 1.29	\$ 1.33
Tier 3 (> 50 CCF)	\$ 1.60	\$ 1.65	\$ 1.70	\$ 1.56	\$ 1.61	\$ 1.66
Multi-Family	\$ 1.15	\$ 1.18	\$ 1.22	\$ 1.12	\$ 1.15	\$ 1.18
Non-Residential	\$ 1.15	\$ 1.18	\$ 1.22	\$ 1.12	\$ 1.15	\$ 1.18

Notes:

- (1) Water rates were last adjusted in 2017 based on Resolution 2017-23, which includes a rate rollback in January 2021 to the water rates that were in effect in 2016.
- (2) Annual change in ENR 20-Cities Construction Cost Index for 2018 (based on Dec. 2017 to Dec. 2018).
- (3) Estimated adjustments based on the annual change in the ENR index each September 30, subject to 3.0% cap.

City of Lodi
Current and Proposed Maximum Wastewater Rate Schedules

	Current (1)	Jul. 2019 (2)	Jul. 2020 (3)	Jul. 2021 (3)	Jul. 2022 (3)	Jul. 2023 (3)
Rate Adjustments -->		2.9%	3.0%	3.0%	3.0%	3.0%
Monthly Flat Water Rates (Unmetered)						
Single Family and Multi-Family Residential Dwelling Units						
1 bedroom	\$ 27.90	\$ 28.71	\$ 29.57	\$ 30.46	\$ 31.37	\$ 32.31
2 bedroom	\$ 37.20	\$ 38.28	\$ 39.43	\$ 40.61	\$ 41.83	\$ 43.08
3 bedroom	\$ 46.49	\$ 47.84	\$ 49.28	\$ 50.76	\$ 52.28	\$ 53.85
4 bedroom	\$ 55.79	\$ 57.41	\$ 59.13	\$ 60.90	\$ 62.73	\$ 64.61
5 bedroom	\$ 65.09	\$ 66.98	\$ 68.99	\$ 71.06	\$ 73.19	\$ 75.39
Mobile Homes						
Any Size	\$ 27.90	\$ 28.71	\$ 29.57	\$ 30.46	\$ 31.37	\$ 32.31
Schools						
Per SSU (18 students = 1 SSU)	\$ 27.90	\$ 28.71	\$ 29.57	\$ 30.46	\$ 31.37	\$ 32.31
Non-Residential						
Per SFU	\$ 37.20	\$ 38.28	\$ 39.43	\$ 40.61	\$ 41.83	\$ 43.08
Monthly Service Charges (Metered)						
Up to 3/4" meter	\$ 25.40	\$ 26.14	\$ 26.92	\$ 27.73	\$ 28.56	\$ 29.42
1" meter	\$ 40.92	\$ 42.11	\$ 43.37	\$ 44.67	\$ 46.01	\$ 47.39
1 1/2" meter	\$ 79.06	\$ 81.35	\$ 83.79	\$ 86.30	\$ 88.89	\$ 91.56
2" meter	\$ 124.33	\$ 127.94	\$ 131.78	\$ 135.73	\$ 139.80	\$ 143.99
3" meter	\$ 232.29	\$ 239.03	\$ 246.20	\$ 253.59	\$ 261.20	\$ 269.04
4" meter	\$ 385.52	\$ 396.70	\$ 408.60	\$ 420.86	\$ 433.49	\$ 446.49
6" meter	\$ 768.28	\$ 790.56	\$ 814.28	\$ 838.71	\$ 863.87	\$ 889.79
8" meter	\$ 1,227.76	\$ 1,263.37	\$ 1,301.27	\$ 1,340.31	\$ 1,380.52	\$ 1,421.94
Wastewater Usage Rates (Metered)						
All Customers, Except High Strength						
Usage Rate (\$/CCF of water use)	\$ 2.89	\$ 2.97	\$ 3.06	\$ 3.15	\$ 3.24	\$ 3.34
High Strength Users						
Flow (per MG annually)	\$ 3,730.00	\$ 3,838.17	\$ 3,953.32	\$ 4,071.92	\$ 4,194.08	\$ 4,319.90
BOD (per 1,000 lbs annually)	\$ 616.00	\$ 633.86	\$ 652.88	\$ 672.47	\$ 692.64	\$ 713.42
SS (per 1,000 lbs annually)	\$ 385.00	\$ 396.17	\$ 408.06	\$ 420.30	\$ 432.91	\$ 445.90

Notes:

- (1) Wastewater rates were last adjusted in 2016 based on Resolution 2016-109.
- (2) Annual change in ENR 20-Cities Construction Cost Index for 2018 (based on Dec. 2017 to Dec. 2018).
- (3) Estimated adjustments based on the annual change in the ENR index each April 30, subject to 3.0% cap.

City of Lodi						
Proposed Temporary Water Shortage Rate Surcharges						
	Normal Supply Conditions	Potential Shortage (Voluntary)	Minor Shortage (Mandatory)	Moderate Shortage (Mandatory)	Severe Shortage (Mandatory)	Critical Shortage (Mandatory)
Use Reduction Goal -->	None	5% to 10%	10% to 20%	20% to 30%	30% to 50%	> 50%
Temp. Water Shortage Surcharge (2)	None	None	5%	10%	15%	20%
Monthly Service Charges						
Up to 3/4" meter	\$ 22.50					
1" meter	\$ 35.34					
1 1/2" meter	\$ 67.14					
2" meter	\$ 105.49					
3" meter	\$ 195.00					
4" meter	\$ 322.83					
6" meter	\$ 642.13					
8" meter	\$ 1,025.45					
10" meter	\$ 1,472.77					
Water Usage Rates (\$/CCF) (3)						
Single Family Residential						
Tier 1 (0-10 CCF)	\$ 1.00	\$ 1.00	\$ 1.05	\$ 1.10	\$ 1.15	\$ 1.20
Tier 2 (11-50 CCF)	\$ 1.33	\$ 1.33	\$ 1.40	\$ 1.46	\$ 1.53	\$ 1.60
Tier 3 (> 50 CCF)	\$ 1.65	\$ 1.65	\$ 1.73	\$ 1.82	\$ 1.90	\$ 1.98
Multi-Family	\$ 1.18	\$ 1.18	\$ 1.24	\$ 1.30	\$ 1.36	\$ 1.42
Non-Residential	\$ 1.18	\$ 1.18	\$ 1.24	\$ 1.30	\$ 1.36	\$ 1.42

Notes:

- (1) The temporary water shortage rate surcharge percentages are shown applied to the proposed water usage rates for April 2019 for illustrative purposes. The percentages would be applied to any then-current water usage rates when implemented by declaration of a water shortage by the City Council.
- (2) The temporary water shortage rate surcharge would be an incremental (percentage) increase in the water usage rates, but would not be applied to monthly service charges or to any flat water rates for unmetered customers.
- (3) The water usage rates shown for Minor through Critical shortage conditions incorporate the temporary water shortage rate surcharges.

Proposed Rates - Commerical Organics Collection and Processing Services				
Can Size	Frequency		Monthly Rate	Contamination
35g	1x per Week per Cart		\$46.60	\$100 per Occurrence
35g	2x per Week per Cart	Available for Customers with 4+ Carts	\$93.19	\$100 per Occurrence
64g	1x per Week per Cart		\$70.11	\$100 per Occurrence
64g	2x per Week per Cart	Available for Customers with 4+ Carts	\$140.22	\$100 per Occurrence