



*City of Cotati*

201 W. Sierra Ave.

Cotati, CA 94931

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**NOTICE OF PUBLIC HEARING**  
**ON PROPOSED NEW/INCREASED WATER AND SEWER RATES**

WHERE: Cotati City Hall – Council Chamber  
201 W. Sierra Avenue  
Cotati, California

WHEN: Tuesday, August 8, 2017 not before 7:00 p.m. and as soon thereafter as the matter is reached on the agenda.

PURPOSE: To receive public comment on a proposal for the City Council to consider adopting new/increased water and sewer rates in the City Council Chamber at City Hall, 201 W. Sierra Avenue, Cotati. Proposed temporary water shortage surcharges would only be implemented during a future drought, as specified. At the public hearing, the City Council will accept oral and written testimony, as well as written protests, regarding the proposed water and sewer rates.

**Why am I Receiving this Notice?**

You are receiving this notice because our records indicate that you are listed as an account holder and/or as the owner of a parcel receiving water and/or sewer service from the City of Cotati (City). The purpose of this notice is to give you information about proposed new/increased water and sewer rates and how you can participate in the rate-setting process.

**Rate History**

The City of Cotati works each day with limited resources to ensure that residents and businesses receive clean, safe, and reliable water and sewer services, and that the City's water and sewer systems are maintained to all required standards in order to protect our community's health and safety, as well as the environment.

Cotati's water and sewer rates are near the lowest in the region. While the City has adjusted water rates regularly, sewer rates have not been changed since 2008. Past water rate adjustments were sufficient to keep pace with changes in operating and maintenance costs, including increased cost of purchasing water from the Sonoma County Water Agency (SCWA), and to meet debt service obligations. However, the revenues from the water rates are insufficient to adequately fund the water system capital improvement program. This has caused the City to delay capital replacement and rehabilitation projects necessary for the long-term maintenance of water system infrastructure.

The City's sewer rates have generally been sufficient to cover the costs of operation and maintenance, including wastewater treatment and disposal services provided by the Santa Rosa Subregional System, provide revenue for capital improvement needs, and maintain prudent financial reserves. However, significant increases in the Subregional costs for wastewater treatment and disposal are anticipated, and the sewer utility has significant capital improvement needs that are not adequately funded under the current sewer rates.

A water and sewer rate study, recently completed by the City, provides an updated cost of service analysis and includes recommendations for adjusting the water and sewer rate schedules to ensure that the revenues generated by water and sewer rates do not exceed the cost of providing service, and that the costs to provide services are proportionately allocated to each customer based on capacity requirements and service demands.

Water and sewer rate schedules covering a five-year period, are proposed. If adopted, the proposed water and sewer rates would provide necessary revenues to meet each utility's needs to cover operating and maintenance costs, meet debt service obligations, and support the capital projects necessary to rehabilitate and upgrade the water and sewer systems, and maintaining prudent financial reserves.

In addition, the City is considering adopting temporary water shortage rate surcharges that could be implemented in a future drought. The City, region, and State are emerging from an extended drought. While customers responded well to the call for water conservation, the reduced revenue from water sales caused by water conservation exceeded the corresponding reduction in water system costs. As such, the City is concerned that future drought situations could place undue financial strain on the utility. As proposed, the temporary water shortage surcharges would only be implemented when the City Council declares a water shortage requiring mandatory cutbacks exceeding 10 percent. In addition, the surcharges would be rescinded once shortage conditions subside.

### **Proposed New/Increased Water Rates**

The proposed water rates are supported by a ten-year financial plan, which includes recommendations for annually adjusting water rates in each of the next five years to cover the costs of providing water service during this period. Water utility costs include costs for operating and maintaining the water distribution system, pumping groundwater and buying treated water from the SCWA, meeting debt service obligations, supporting the capital projects needed to rehabilitate and upgrade the water system, and maintaining prudent financial reserves.

Proposed new water rates retain the same basic rate structure as the current water rates, although it has been updated to reflect the recent cost of service analysis and addresses the revenue needs of the water utility. Proposed water rates include: (1) fixed bi-monthly service charge based on the size of the water

meter, (2) a three-tier water usage rate structure for single family customers, and (3) a uniform water usage rate for multi-family, non-residential, and irrigation accounts. The bi-monthly service charges will continue to recover fixed customer and capacity-related costs of service, and the water usage rates will continue to recover costs appropriately recovered on the basis of water usage. Within the bi-monthly service charges, customer costs are allocated equally to each customer, and include items such as meter reading, utility billing, and customer service. Capacity costs are recovered in the service charge in proportion to the capacity associated with each meter size. Examples of capacity costs include repair and maintenance, debt service, and support for the capital program. The three-tier water usage rate structure for single family homes reflect costs differences in the City's water supplies (i.e., local groundwater and SCWA water), as well as an allocation of water conservation costs to the higher tiers of usage. The water usage rate for multi-family, non-residential, and irrigation accounts recovers usage-based costs uniformly over all water usage.

Refinements to the rate structure to reflect the updated cost of service analysis are all incorporated in proposed water rates for October 2017. Proposed water rate schedules are presented in **Table 1**.

**Table 1**  
**City of Cotati**  
**Current and Proposed Water Rates (1)**

	<b>Current</b>	<b>Oct. 2017</b>	<b>July 2018</b>	<b>July 2019</b>	<b>July 2020</b>	<b>July 2021</b>
<b>Bi-Monthly Service Charge</b>						
3/4" meter	\$ 33.94	\$ 37.73	\$ 39.99	\$ 42.39	\$ 44.93	\$ 47.63
1" meter	\$ 56.70	\$ 61.68	\$ 65.38	\$ 69.30	\$ 73.46	\$ 77.87
1 1/2" meter	\$ 113.04	\$ 121.00	\$ 128.26	\$ 135.96	\$ 144.12	\$ 152.77
2" meter	\$ 180.92	\$ 192.48	\$ 204.03	\$ 216.27	\$ 229.25	\$ 243.01
3" meter	\$ 339.44	\$ 359.38	\$ 380.94	\$ 403.80	\$ 428.03	\$ 453.71
4" meter	\$ 577.06	\$ 597.75	\$ 633.62	\$ 671.64	\$ 711.94	\$ 754.66
<b>Water Usage Rates (\$/1,000 gallons) (1)</b>						
Residential						
Tier 1 (0 to 10 tg)	\$ 3.33	\$ 3.20	\$ 3.39	\$ 3.60	\$ 3.82	\$ 4.06
Tier 2 (10 to 20 tg)	\$ 3.52	\$ 4.11	\$ 4.35	\$ 4.62	\$ 4.91	\$ 5.21
Tier 3 (over 20 tg)	\$ 4.44	\$ 5.40	\$ 5.53	\$ 5.82	\$ 6.14	\$ 6.49
Multi-Family, Non-Resid., & Irrigation						
All Water Usage	\$ 3.52	\$ 3.57	\$ 3.78	\$ 4.01	\$ 4.25	\$ 4.51

**Notes:**

(1) tg = 1,000 gallons.

**Proposed New/Increased Sewer Rates**

The proposed sewer rates are supported by a ten-year financial plan, which includes recommendations for annually adjusting sewer rates in each of the next five years to cover the costs of providing sewer service during this period. Sewer utility costs include costs for operating and maintaining the sewer collection system, treating and disposing of wastewater via the Santa Rosa Subregional System, meeting debt service obligations, supporting the capital projects needed to rehabilitate and upgrade the sewer system, and maintaining prudent financial reserves. The sewer utility does not have any long-term debt, except obligations through the Santa Rosa Subregional System.

Proposed new sewer rates retain the same basic rate structure as the current sewer rates, although it has been updated to reflect the recent cost of service analysis and addresses the revenue needs of the sewer utility. Proposed sewer rates include: (1) fixed bi-monthly service charge based on the size of the water meter, and (2) a uniform sewer usage rate for all customer accounts. The bi-monthly sewer service charges will continue to recover fixed customer and capacity-related costs of service, and the sewer usage rates will continue to recover costs appropriately recovered on the basis of sewer flow. Similar to the water service charge, within the bi-monthly sewer service charges, customer costs are allocated equally to each customer, and include items such as meter reading, utility billing, and customer service. Capacity costs are recovered in the service charge in proportion to the capacity associated with each water meter size. Examples of capacity costs include repair and maintenance, debt service, and support for the capital program. For most sewer service customers, the sewer usage rate is applied to each customer's sewer average. The sewer average is the average of the two lowest bi-monthly water usage values from the previous 12-month period. For new customers, an average per-person volume is used until there is an actual low consumption period to determine the sewer average. For sewer service customers with a dedicated irrigation water service connection, the sewer usage rate is applied to actual bi-monthly water usage, rather than the sewer average. In a change from the current sewer rates, it is recommended that sewer usage rates for restaurants be the same as the rate for other types of sewer service customers. Refinements to the rate structure to reflect the updated cost of service analysis are all incorporated in proposed sewer rates for October 2017. Proposed sewer rate schedules are presented in **Table 2**.

**Table 2**  
**City of Cotati**  
**Current and Proposed Sewer Rates (1)**

	Current	Oct. 2017	July 2018	July 2019	July 2020	July 2021
<b><i>Bi-Monthly Service Charge</i></b>						
3/4" meter	\$ 59.35	\$ 62.73	\$ 67.12	\$ 71.82	\$ 76.85	\$ 82.23
1" meter	\$ 100.11	\$ 103.34	\$ 110.57	\$ 118.31	\$ 126.59	\$ 135.45
1 1/2" meter	\$ 196.64	\$ 203.96	\$ 218.24	\$ 233.52	\$ 249.87	\$ 267.36
2" meter	\$ 317.13	\$ 325.19	\$ 347.95	\$ 372.31	\$ 398.37	\$ 426.26
3" meter	\$ 593.50	\$ 608.26	\$ 650.84	\$ 696.40	\$ 745.15	\$ 797.31
4" meter	\$1,008.94	\$1,012.56	\$1,083.44	\$1,159.28	\$1,240.43	\$1,327.26
<b><i>Sewer Usage Rates (\$/1,000 gallons)</i></b>						
Residential	\$ 6.93	\$ 7.32	\$ 7.83	\$ 8.38	\$ 8.97	\$ 9.60
Restaurant - Take Out	\$ 7.83	\$ 7.32	\$ 7.83	\$ 8.38	\$ 8.97	\$ 9.60
Restaurant - Dine In	\$ 8.80	\$ 7.32	\$ 7.83	\$ 8.38	\$ 8.97	\$ 9.60
Other Non-Residential	\$ 6.93	\$ 7.32	\$ 7.83	\$ 8.38	\$ 8.97	\$ 9.60

**Notes:**

- (1) If the customer has a dedicated irrigation service, then these sewer usage rates apply to the actual bi-monthly water use. If the customer does not have a dedicated irrigation service the sewer usage rate applies to the average of the two lowest bi-monthly usage values from the prior fiscal year. This is referred to as the sewer average.

**Temporary Water Shortage Rate Surcharge Methodology**

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 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 in **Table 3**, would 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 the bi-monthly service charges), 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.

**Table 3  
City of Cotati  
Proposed Temporary Water Shortage Surcharges**

	<b>Normal Supply</b>	<b>Stage 1 Voluntary</b>	<b>Stage 2 Mandatory</b>	<b>Stage 3 Mandatory</b>
Water Use Reduction Gcal -->	None	Up to 10%	10% to 20%	20% to 30%
<b>Water Shortage Surcharge (1) --&gt;</b>	<b>None</b>	<b>None</b>	<b>10%</b>	<b>20%</b>
<b>Water Usage Rates, with Surcharge Applied (\$/1,000 Gal.) (2)</b>				
Residential				
Tier 1 (0 to 10 tg)	\$ 3.20	\$ 3.20	\$ 3.52	\$ 3.84
Tier 2 (10 to 20 tg)	\$ 4.11	\$ 4.11	\$ 4.52	\$ 4.93
Tier 3 (over 20 tg)	\$ 5.40	\$ 5.40	\$ 5.94	\$ 6.48
Multi-Family, Non-Resid., & Irrigation				
All Water Usage	\$ 3.57	\$ 3.57	\$ 3.93	\$ 4.28
<b>Fixed Bi-Monthly Service Charges (3)</b>				
Service Charge	Varies	No changes to service charges		

**Notes:**

- (1) Temporary water shortage surcharges are incremental increases in the normal water usage rates applied during periods of water shortage, as declared by the City Council.
- (2) This section shows the temporary water shortage surcharges applied to the proposed (October 2017) water usage rates, for illustrative purposes. The percentages shown in this exhibit would be applied to any then-current usage rates in future years.
- (3) No changes to the fixed bi-monthly service charges would be imposed as a result of declared water shortages.

The proposed temporary water shortage rate surcharges are expressed as a percentage of the normal water usage rate. The amount of the surcharge would depend on the water use reduction goal established by the City Council. The specific rates shown in Table 3 are an example, based on proposed (October 2017) water rates. As an example, with conditions of Stage 2 - Mandatory, an 10 percent water shortage rate surcharge would temporarily increase the Tier 1 residential water usage rate from \$3.20 per 1,000 gallons to \$3.52 per 1,000 gallons (a surcharge of \$0.32 per 1,000 gallons). Other water usage rates would be similarly affected, as shown in Table 3. Bi-monthly service charges 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.

**Additional Information**

Additional information on the proposed water and sewer rates, and the underlying financial and cost of service analyses, are available in the *City of Cotati, Water and Sewer Rate Study – Final Report*, prepared by The Reed Group, Inc., dated June 20, 2017 (2017 Rate Study). The report is available online at [ci.cotati.ca.us](http://ci.cotati.ca.us).

**How Much Will My Water and Sewer Bill Be?**

The change to an individual water and sewer bill due to the proposed rates will depend on the customer, the size of the water meter, and actual water usage characteristics. Based on the proposed rates for October 2017, a single family customer with a standard ¾" meter using 10,000 gallons of bi-monthly water use and with a sewer average of 7,000 gallons would see their water bill increase from \$67.24 to \$69.73 (an increase of \$2.49), and their sewer bill increase from \$107.86 to \$113.97 (an increase of \$6.11). The total bi-monthly utility bill would increase from \$175.10 to \$183.70. Bill changes for this typical customer over the five years of proposed rate adjustments are illustrated in **Table 4**.

**Table 4  
City of Cotati  
Bi-Monthly Water and Sewer Bill for a Typical Single Family Customer (1)**

	<b>Current</b>	<b>Oct. 2017</b>	<b>July 2018</b>	<b>July 2019</b>	<b>July 2020</b>	<b>July 2021</b>
Water Bill	\$ 67.24	\$ 69.73	\$ 73.89	\$ 78.39	\$ 83.13	\$ 88.23
Sewer Bill	\$ 107.86	\$ 113.97	\$ 123.12	\$ 132.95	\$ 143.56	\$ 155.06
Total	\$ 175.10	\$ 183.70	\$ 197.01	\$ 211.34	\$ 226.69	\$ 243.29

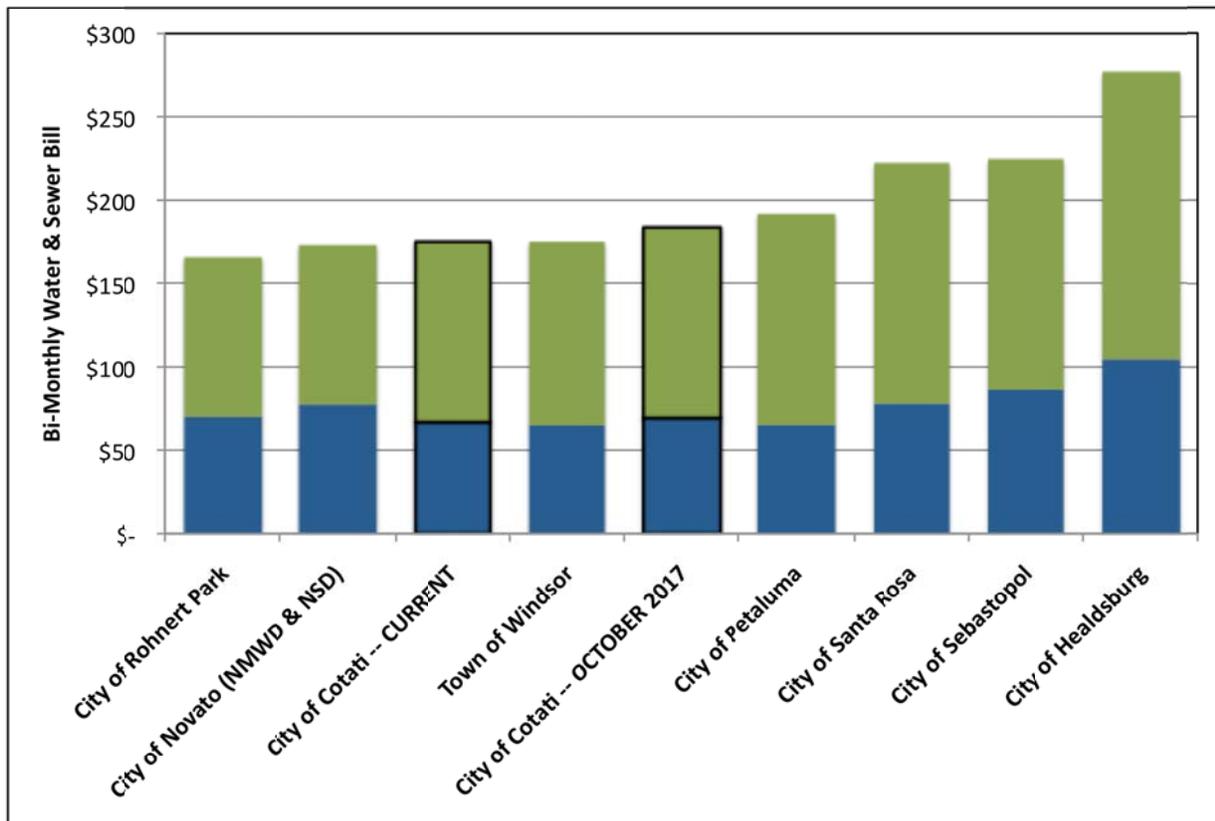
**Notes:**

(1) Based on a ¾" water meter, 10,000 gallons of water usage, and 7,000 gallons as the sewer average.

**Table 5** illustrates how the combined bi-monthly water and sewer bill for a typical single family customer would change under the proposed rates for October 2017, and compares this with utility bills in neighboring communities.

**Table 5  
City of Cotati  
Comparison of Typical Bi-Monthly Single Family Utility Bill  
with Neighboring Communities in 2017 (1)**

	<b>Water Bill</b>	<b>Sewer Bill</b>	<b>Total Bill</b>
City of Rohnert Park	\$ 70.50	\$ 95.38	\$ 165.88
City of Novato (NMWD & NSD)	\$ 77.70	\$ 95.50	\$ 173.20
<b>City of Cotati -- CURRENT</b>	<b>\$ 67.24</b>	<b>\$ 107.86</b>	<b>\$ 175.10</b>
Town of Windsor	\$ 65.36	\$ 109.77	\$ 175.13
<b>City of Cotati -- OCTOBER 2017</b>	<b>\$ 69.73</b>	<b>\$ 113.97</b>	<b>\$ 183.70</b>
City of Petaluma	\$ 65.62	\$ 126.18	\$ 191.80
City of Santa Rosa	\$ 78.34	\$ 143.96	\$ 222.30
City of Sebastopol	\$ 86.68	\$ 138.00	\$ 224.68
City of Healdsburg	\$ 104.74	\$ 172.51	\$ 277.25



**Notes:**

(1) Based on 10,000 gallons of bi-monthly water use, a 7,000 gallon sewer average, and a standard residential meter. Most utilities shown have utility rate increases scheduled for FY 17-18 and beyond.

Temporary water shortage rate surcharges will have no immediate impact on customer water bills. Details of how they might affect water bills, if implemented are provided in the 2017 Water Rate Study. The surcharges have been specifically designed, however, such that customers meeting water use reduction goals will see a decrease in their water bills (even with the surcharge added), relative to a normal water bill and normal water usage.

You can find more information about your water and sewer service and water usage patterns from your past utility bills. If you would like assistance in determining how the proposed water and sewer rates may affect your utility bill, please contact a Customer Service Representative at (707) 792-4600 Monday through Friday from 8:00 A.M. to 5:00 P.M

### **How Do I Protest?**

Proposition 218 allows the owner of record of a parcel that receives water or sewer service to submit a written protest at or before the August 8 public hearing. A protest may be withdrawn before the close of the hearing as well, but only by the person who filed it.

If the person signing the protest is not listed as the owner on the last equalized assessment roll for Sonoma County, the protest must be accompanied by written evidence that the signer owns the property. In rental situations, if a tenant is the utility account holder for water or sewer service, the tenant also has the right to submit a written protest for the property. Only one protest per parcel will be counted. If valid protests are filed on behalf of a majority of the parcels that receive water or sewer service, the new/increased water or sewer rates, respectively, will not be adopted.

### ***All protests must:***

1. Be in writing with an original signature from the property owner of record or tenant directly liable for the payment of the fee/account holder.
2. Identify the parcel for which the protest is filed, by street address or Assessor's Parcel Number (APN).
3. State that the signer opposes the proposed water and/or sewer rates.
4. Be received at City Hall at or before the close of the public hearing that will begin at 7:00 p.m. on August 8, 2017. A protest may be mailed to the City Clerk at 201 W. Sierra Avenue, Cotati, CA 94931 or delivered to the same address during regular business hours.

Email, fax, or telephone, and oral protests of any kind will not be counted. Mailed protests received after the close of the public hearing will not be counted, even if they were postmarked earlier.

If you have a disability, which requires an interpreter or other person to assist you while attending this City Council meeting, please contact the City Clerk's Office at (707) 792-4600 at least 72 hours prior to the meeting to ensure arrangements for accommodation by the City. Please make sure the City Clerk's Office is notified as soon as possible if you have a visual impairment requiring meeting materials to be produced in another format (Braille, audio-tape, etc.).

### **Questions?**

For more information or to ask questions, please call (707) 792-4600 Monday through Friday from 8:00 A.M. to 5:00 P.M or visit [ci.cotati.ca.us](http://ci.cotati.ca.us).