



City of Willits
Sewer Utility
111 E. Commercial St.
Willits, CA 95490

**Proposition 218 Notification
NOTICE OF PUBLIC HEARING
ON PROPOSED SEWER RATE INCREASE**



Why a Rate Adjustment is Needed – To Provide Enhanced Environmental Protection.

Regulatory Requirements

The City's sewer utility collects wastewater generated by the homes and businesses of Willits and Brooktrails Township Community Services District and conveys it via the sewer system to a City-owned wastewater treatment facility. There, the wastewater is treated and eventually discharged back into the environment. The quality of treatment that must be given to this wastewater is subject to both State and Federal regulations.

Changes to these regulations mean that the wastewater treatment plant as currently constituted cannot meet new water quality standards for the discharged water. As such, the City must make major improvements to the treatment process at the existing plant to comply with a Cease and Desist Order from the State Regional Water Quality Control Board.

The cost of the project to address these needs is currently estimated at \$31 million. The City has investigated a number of options for financing the project. Two low interest financing options are available offering a combination of loans and grants. The City is currently pursuing both options to get the best possible financing (lowest cost) for the project.

Importantly, both of these financing options carry low interest rates, which are far below the rates on standard municipal bond financing alternatives. The City must act quickly to lock-in the favorable rates.

Hearing Date & Time: October 14, 2009 at 6:00 PM or as soon thereafter as possible
Hearing Location:

City of Willits Council Chambers

111 E. Commercial Street, Willits, CA 95490

The City of Willits provides sewer service to approximately 2,300 residential and commercial customers via 26 miles of sewer pipelines. The City's sewer utility is a self-supporting enterprise supported by utility service charges.

Basis of Proposed Rates

The City is required by state law and City policy to collect revenues sufficient to cover the costs of operating the sewer enterprise. These revenues allow the City to safely and reliably convey and treat wastewater generated by the homes and businesses of Willits, and protect human health. Costs that must be recovered through rate revenue include electricity, equipment and supplies, treatment chemicals, equipment, and salaries and benefits for sewer enterprise staff. Additionally, revenue generated from these sewer rates is used to pay off debt incurred in the process of building the mandated capital improvements to the wastewater treatment plant. This debt is the major reason for the rate changes included in this notice.

A study by an independent financial firm concludes that the proposed rates would provide enough funds to pay the cost of operations, maintenance, administration, debt service, and capital improvements over the next 4 years.

Rate Structure

The structure and customer categories currently in place since 2006 will not change. The proposed rates will uniformly impact all customers—residential and commercial. The City's rate structure ensures the cost of providing sewer service is fairly and equitably recovered from all customer groups. Residential customers are billed on the annual property tax rolls. Non-residential customers are billed annually based on 90% of their water use and the number of Equivalent Dwelling Units (EDUs) assigned to each customer. EDUs are assigned to non-residential customers based on the estimated volume of each customer's wastewater. Additionally, non-residential rates vary depending on how much it costs to treat the effluent (the strength of the discharge).

Proposed Sewer Rates for the City of Willits*

	Current <u>2009/10</u>	<u>2010/11</u>	<u>2011/12</u>	<u>2012/13</u>	<u>2013/14</u>
Effective Date:	7/1/09	7/1/10	7/1/11	7/1/12	7/1/13
Residential					
Annual service charge per EDU (\$/yr)	\$567	\$607	\$665	\$725	\$739
Non-residential					
Low strength, per hcf**	\$5.32	\$5.69	\$6.23	\$6.79	\$6.93
Domestic strength, per hcf	6.49	6.94	7.60	8.29	8.45
High strength, per hcf	10.17	10.88	11.92	12.99	13.25

*Maximum rates - actual rates may be lower if costs are lower than projected.

**1 hcf = one hundred cubic feet, or 748 gallons of wastewater flow.

Rate increases cannot exceed the proposed rates shown above, but rate increases can be below the amounts shown. If the project construction bid is below the estimated costs or if financing is at a lower interest rate or additional grants are received, the City may not need to increase rates to the amounts shown.

Compliance with Proposition 218

In 1996 California voters approved Proposition 218, which amended the state constitution as it relates to the passage of property related fees. Today, "Prop 218" requires that local governments follow a strictly defined process when setting fees such as sewer bills. The City must 1) inform property owners that a proposed rate increase is being considered, 2) clearly demonstrate the basis on which these fees are calculated, and 3) hold a public hearing at least 45 days after notice where the City hears all protests to the rate increase. Sewer rates are subject to "majority protest" meaning they **cannot be passed** if a majority of property owners impacted by the rate change submit **written** protests to the City opposing the increase.

Concerns, Please Contact Us

If you have questions or comments about the proposed sewer rate increases or wish to protest, you may:

Address the Council:

Attend the Public Hearing on October 14, 2009

Write: Written protests against the proposed rate change have to identify the address and the parcel number of the impacted property (found on the front of this notice), and include the signature(s) of the property owner(s). If the City receives written protests against the proposed sewer rates by a majority of the affected property owners prior to the end of the hearing, the Council will not approve the change. In compliance with Proposition 218, only one protest for each property will be counted.

When will the sewer rate changes take place?

If approved, the rate change would phase in annually beginning on July 1, 2010 and be billed on the annual property tax roll. Subsequent changes would occur on July 1 of every year.