



NOTICE OF PUBLIC HEARING TO INCREASE RATES OF WATER SERVICE FEES Tuesday, May 21, 2024 at 6:00 PM

Dear Water Customer,

The City of Shasta Lake (City) will consider the adoption of increases to the City's water service fees for the next five years. As described below, the City Council will hold a public hearing on Tuesday, May 21, 2024, at 6:00PM to consider the proposed water rate increases.

WHY IS THE CITY PROPOSING RATE INCREASES?

The City is dedicated to maintaining affordable rates by maintaining lean staffing levels and utilizing reserves when necessary. However, similar to other utilities such as wastewater, electricity, and gas, the expenses associated with purchasing, pumping, treating, and delivering water, as well as maintaining the water system infrastructure, are continually increasing. To mitigate the impact on water utility customers, the City has actively pursued grant funding for essential capital projects. Recently, the City secured over \$6.3 million in grants to construct a new 2.45 million gallon water tank at Centimudi. As a result, the City has not increased rates on our customers since 2021, even though inflation has increased approximately 18% during the three-year period. Failure to adjust rates could lead to a deficit in the water fund by 2026, necessitating support from the General Fund, potentially resulting in cuts to vital services like law enforcement and parks.

Over the past few months, the City has conducted a thorough analysis of its water costs, revenues, and rates, engaging independent financial experts for an accurate assessment of water service costs and their impact on customer bills. Several factors have led to proposed adjustments in water rates and charges:

- Transition from a tiered water rate system to a uniform water rate as authorized by the City Council.
- Increase in the fixed revenue percentage from 46% to 54%.
- Rising unfunded regulatory costs to meet federal and state compliance mandates include, but are not limited to, U.S. Environmental Protection Agency's Lead and Copper Rule Revisions, where water suppliers are required to prepare and maintain an inventory of service line materials by October 16, 2024. Section 7584 of the California Code of Regulations requires that each public water system have a cross-connection control program by July 1, 2025. UCMR5 testing completion by January 2025 with an increase of base unit rates of 5.9% with a nominal increase in standard fees and surcharges on all samples at Pace Analytical Laboratory effective January 1, 2024. General operating supplies such as chemicals, reagents, analytical equipment services, replacement parts, and maintenance services have increased exponentially.
- Planned expenditure of \$11 million over the next five years for capital projects addressing aging infrastructure, tank maintenance, and the addition of a new raw water tank at the City's Water Treatment Plant. Improvements to the City's distribution system include the replacement of water meter transmitters (city-wide), aging pressure-reducing valves, and aging water distribution mains.

- Increased rates and charges are needed to cover the water system's fixed costs, which do not vary with water sales.
- The increased rates fund capital investment projects that maintain system reliability and water quality.
- Establishment of prudent long-term capital reserves aligned with industry standards.
- Escalating wholesale water costs and unpredictable water supply, with the City relying entirely on Shasta Lake water due to the absence of groundwater.

The City of Shasta Lake is subject to the California Water Code and Proposition 218 and therefore is required by law to charge its customers only what is necessary to provide water services.

PUBLIC HEARING AND PROTEST PROCEEDINGS:

Pursuant to State law, protests may be provided by any City customer, or owner of property subject to the proposed rate changes, against the proposed rate changes described in this Notice. Written protests may be submitted in person to the City Council at the Public Hearing. They may also be submitted by mail addressed to the City of Shasta Lake, Office of the City Clerk, at P.O. Box 777, 4477 Main Street, Shasta Lake, CA 96019. Both in person and mailed written protests must be received prior to the close of the public hearing on May 21, 2024. Each written protest must clearly identify the property or account (by assessor's parcel number or street address), reference the proposed water rate increase and must include the signature of the property owner or customer, as applicable. Due to the inability to verify the authenticity of each individual protest, protests received by telephone, electronic mail (e-mail), or via social media sites, including, but not limited to, Facebook or Twitter shall NOT be accepted. All interested parties are invited to attend the public hearing and present written protests and/or oral comments on the proposed rate increases referenced herein. Oral comments made at the public hearing will qualify as formal protests of the proposed rate increases if accompanied by a written protest setting forth the required information (as set forth above). If written protests are submitted by a majority of the affected property owners or customers, the proposed increase(s) will not be imposed. If approved, the rate changes will become effective with invoices for service beginning on or after July 1, 2024. Pursuant to Government Code Section 53759, a judicial action to challenge any new, increased, or extended fee or charge must be brought within 120 days of the final approval of the fee or charge.

The City remains committed to providing reliable and safe drinking water from source to tap. Recognizing that rate increases may pose financial challenges for some customers, various assistance programs such as Lifeline rates, SHHIP, SHARES, and LiHEAP are available. Customers can inquire about these programs by contacting our customer service staff at 530-275-7400.

Sincerely,



Jessaca Lugo
City Manager



For more information, scan the QR Code or visit cityofshastalake.org/2024WaterRates

PROPOSED WATER FEE:

The City is proposing an increase in the total revenue it receives from customers through its water service over the next five years. The annual revenue increase, as well as the cost-of-service analysis, which determines the nexus between the cost to serve each of the City’s customers and the rates charged to those customers, determine the proposed water rates shown in the tables below.

The City’s water rate structure will also be modified to include:

- A uniform water rate for all customers,
- An increase in fixed charge revenue recovery,
- A proposed water supply surcharge during periods of constrained year water supply,
- A proposed drought rate to be implemented during each stage of drought as defined by the City’s Water Shortage Contingency Plan (WSCP)
- A Lifeline discount of \$4 per month on the monthly service charge for eligible customers

For non-constrained water supply years and non-drought years, the monthly service charges, monthly private fire charges, and consumption charges are in effect for all customers. The proposed water supply surcharge may be implemented during constrained water supply years, when the City’s water supply costs are higher. The proposed drought rates may be implemented during drought emergency declarations for each drought stage. The proposed water supply surcharge and proposed drought rates would be in addition to the base water rates.

Monthly Service Charges	Current 7/1/2020	Proposed 7/1/2024	Proposed 7/1/2025	Proposed 7/1/2026	Proposed 7/1/2027	Proposed 7/1/2028
Lifeline	\$31.08	\$40.29	\$42.95	\$45.77	\$48.76	\$51.93
5/8"	\$31.08	\$44.29	\$46.95	\$49.77	\$52.76	\$55.93
1"	\$70.45	\$108.89	\$115.43	\$122.36	\$129.71	\$137.50
1.5"	\$136.06	\$216.55	\$229.55	\$243.33	\$257.93	\$273.41
2"	\$214.79	\$345.75	\$366.50	\$388.49	\$411.80	\$436.51
3"	\$398.52	\$647.23	\$686.07	\$727.24	\$770.88	\$817.14
4"	\$660.97	\$1,077.89	\$1,142.57	\$1,211.13	\$1,283.80	\$1,360.83
6"	\$1,317.12	\$2,154.57	\$2,283.85	\$2,420.89	\$2,566.15	\$2,720.12
8"	\$2,104.51	\$3,446.57	\$3,653.37	\$3,872.58	\$4,104.94	\$4,351.24
10"	\$3,810.49	\$6,245.90	\$6,620.66	\$7,017.90	\$7,438.98	\$7,885.32
12"	\$5,647.71	\$9,260.58	\$9,816.22	\$10,405.20	\$11,029.52	\$11,691.30

Monthly Private Fire Charges	Current 7/1/2020	Proposed 7/1/2024	Proposed 7/1/2025	Proposed 7/1/2026	Proposed 7/1/2027	Proposed 7/1/2028
2" or Less	\$5.53	\$16.93	\$17.95	\$19.03	\$20.18	\$21.40
3" or Less	\$16.06	\$46.17	\$48.95	\$51.89	\$55.01	\$58.32
4" or Less	\$34.22	\$96.60	\$102.40	\$108.55	\$115.07	\$121.98
6" or Less	\$99.42	\$277.62	\$294.28	\$311.94	\$330.66	\$350.50
8" or Less	\$211.86	\$589.82	\$625.21	\$662.73	\$702.50	\$744.65
10" or Less	\$381.00	\$1,059.43	\$1,123.00	\$1,190.38	\$1,261.81	\$1,337.52
12" or Less	\$615.41	\$1,710.30	\$1,812.92	\$1,921.70	\$2,037.01	\$2,159.24

Consumption Charges (\$/hcf)	Current 7/1/2020	Proposed 7/1/2024	Proposed 7/1/2025	Proposed 7/1/2026	Proposed 7/1/2027	Proposed 7/1/2028
Residential						
Tier 1	\$2.44	\$2.85	\$3.03	\$3.22	\$3.42	\$3.63
Tier 2	\$2.79	\$2.85	\$3.03	\$3.22	\$3.42	\$3.63
Tier 3	\$3.50	\$2.85	\$3.03	\$3.22	\$3.42	\$3.63
Multi-Family & Mobile	\$2.58	\$2.85	\$3.03	\$3.22	\$3.42	\$3.63
Commercial & Industrial	\$2.63	\$2.85	\$3.03	\$3.22	\$3.42	\$3.63
Commercial Irr. & Govt.	\$2.86	\$2.85	\$3.03	\$3.22	\$3.42	\$3.63
Schools	\$3.07	\$2.85	\$3.03	\$3.22	\$3.42	\$3.63

Water Supply Surcharges (\$/hcf)	Proposed 7/1/2024
Water Supply Surcharge on Constrained Years	\$0.41

Drought Rates (\$/hcf)	Proposed 7/1/2024	Proposed 7/1/2025	Proposed 7/1/2026	Proposed 7/1/2027	Proposed 7/1/2028
Stage 1 - 10% Reduction	\$0.32	\$0.34	\$0.37	\$0.40	\$0.43
Stage 2 - 20% Reduction	\$0.72	\$0.77	\$0.82	\$0.87	\$0.93
Stage 3 - 30% Reduction	\$1.23	\$1.31	\$1.39	\$1.48	\$1.57
Stage 4 - 40% Reduction	\$1.90	\$2.02	\$2.15	\$2.28	\$2.42
Stage 5 - 50% Reduction	\$2.85	\$3.03	\$3.22	\$3.42	\$3.63
Stage 6 - 60% Reduction	\$4.28	\$4.54	\$4.82	\$5.11	\$5.42