

PROPOSED COMMERCIAL SEWER RATES – REVISED 8-22-07 (SEE TABLE BELOW)



Dear Property Owner or Customer,

The purpose of this notice is to inform you that the City of Grass Valley proposes to increase its water and sewer rates over the next five years. Rate adjustments are needed to fund operating and maintenance costs, eliminate annual budget deficits, pay for critical repairs and replacements to the City's aging infrastructure, and comply with state-mandated environmental permit requirements.

The City's water and sewer rates remain some of the lowest in the region. Due to more than 10 years of almost no rate increases from 1994 to 2005, the City's utility rates fall substantially below the cost of providing service. Last year, the City began to gradually raise its water and sewer rates as part of a long-term program to restore balanced budgets and help fund required operating and capital needs. The City is also in the process of updating its water and sewer system development impact fees to ensure that new development pays its fair share.

RATE ADJUSTMENTS NEEDED FOR OPERATING & CAPITAL NEEDS

The City's water and sewer utilities are financially self-sufficient and rely primarily on utility service charges to fund operating and capital needs. Both water and sewer utilities have been operating in deficit mode for a number of years. Water and sewer rate adjustments are needed for a number of reasons including:

- **Fund Operating Needs & Eliminate Annual Budget Deficits** – The proposed five-year rate increases will enable the City's utilities to gradually restore balanced budgets and fund long-term operating and capital needs. The City faces future cost increases for wholesale water purchases, new state-mandated wastewater treatment requirements, and preventive maintenance needs to help ensure reliable service.
- **Fund Critical Infrastructure Needs & Replacements** – Recent engineering evaluations of the City's water and sewer systems indicate the City needs to fund over \$45 million of capital improvements over the next 15 years. These projects include over \$13 million of water system improvements and over \$30 million of sewer infrastructure needs. Roughly \$25 million – over half of the total – is needed to repair and replace aging water and sewer pipelines, many of which are 50 to 100 years old. In particular, over 18 miles of sewer pipelines are now over 50 years old including 11.3 miles of pipelines installed in the late 1800's. The City also needs to finance \$2.4 million of water storage tanks to provide adequate operational and emergency storage needs.
- **Treat Contaminated Stormwater Runoff from the Newmont Mine** – The Regional Water Quality Control Board has mandated that the City provide wastewater treatment to hundreds of thousands of gallons of contaminated runoff from the long-defunct Newmont Mine. The City has sued the mining company in an effort to recover its costs and require the company to provide a long-term solution to the problem. Until the lawsuit is settled – which may take years – the City must continue collecting and treating the contaminated mine runoff.
- **Meet State-Mandated Permit Regulations** – Every 5 years the State requires the City to renew its wastewater permit. With the latest renewal, the State is requiring the City to fund over \$7 million of upgrades to its wastewater treatment plant in order to meet new, stricter permit requirements. The project includes installation of an ultra-violet wastewater disinfection system needed to treat the City's wastewater effluent to stringent environmental standards prior to discharge into Wolf Creek. The required upgrades will increase the City's operating costs, primarily due to higher electricity needs. The good news is that the City may be eligible for a \$2 million grant and a state-subsidized loan to help fund the project. The City may also pursue renewable energy sources, such as solar energy or methane gas cogeneration, if the long-term benefits outweigh the costs.

LOW-INCOME RATE DISCOUNT

The City is proposing to raise the income eligibility criteria for its low-income utility rate discount program. The program will provide a 15% discount to customers with incomes at or below 150% of the federal poverty level. If you think you may be eligible for this program, please contact the City's Finance Department at (530) 274-4300 for more information.

PROPOSED WATER RATES

The City is proposing to steadily phase in a series of water rate adjustments over the next five years to bring rates in line with funding needs. Water bills include a fixed charge based on meter size plus a quantity charge per 1,000 gallons of metered water use. The City is proposing to adopt the maximum rates shown on the table below. For informational purposes, the table also shows the annual rates anticipated for each of the five years. The City will only increase water rates as needed based on an annual review of water utility finances.

	Projected Monthly Charges Effective					Proposed Maximum
	1-1-2008	1-1-2009	1-1-2010	1-1-2011	1-1-2012	
Monthly Meter Charge						
<u>Meter Size</u>						
5/8" (most single family homes)	\$16.00	\$18.50	\$21.00	\$23.50	\$26.00	\$26.00
3/4"	24.00	27.75	31.50	35.25	39.00	39.00
1"	40.00	46.25	52.50	58.75	65.00	65.00
1-1/2"	80.00	92.50	105.00	117.50	130.00	130.00
2"	128.00	148.00	168.00	188.00	208.00	208.00
3"	240.00	277.50	315.00	352.50	390.00	390.00
4"	400.00	462.50	525.00	587.50	650.00	650.00
6"	800.00	925.00	1,050.00	1,175.00	1,300.00	1,300.00
8"	1,280.00	1,480.00	1,680.00	1,880.00	2,080.00	2,080.00
Quantity Charge Per 1,000 Gallons						
Residential	\$2.31	\$2.67	\$3.03	\$3.39	\$3.75	\$3.75
Commercial	2.76	3.19	3.62	4.05	4.48	4.48
<i>Customers residing outside City limits are charged 150% of the applicable City rate per Municipal Code 13.04.070.</i>						

PROPOSED SEWER RATES - REVISED SEWER RATES 8-22-07

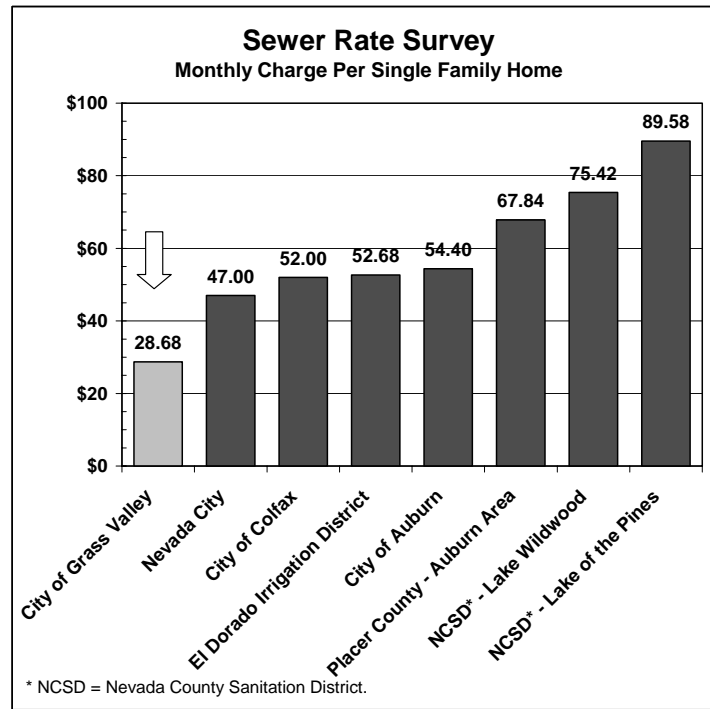
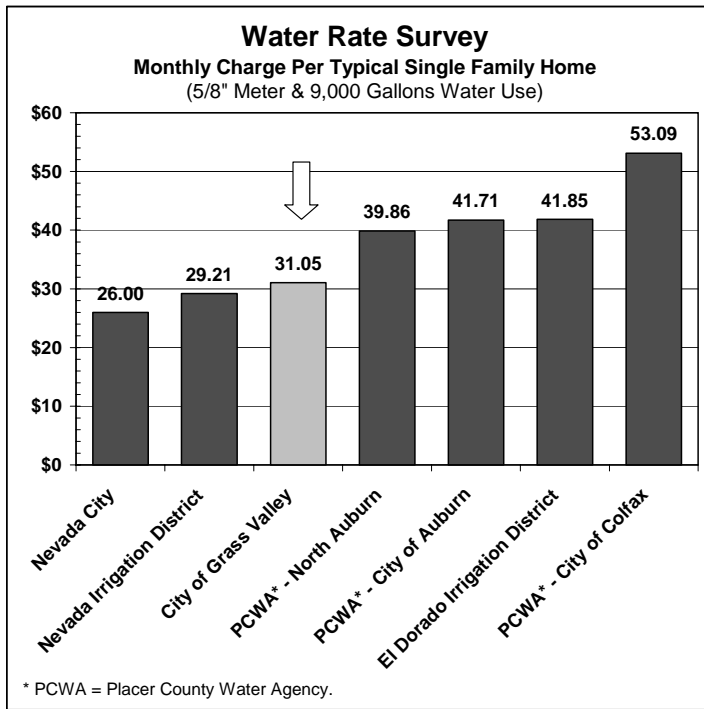
The City's sewer rates are currently the lowest in the region and must be raised immediately to a flat rate of \$21.88 per mobile home unit, \$29.84 per multi-family dwelling, or \$38.00 per single family home. The City's single family sewer rate is almost 40% lower than Nevada City's rate, which is the second lowest in the region. The City proposes to adopt the maximum rates shown on the table below. For informational purposes, the table also shows the annual rates anticipated during the next five years. The City remains committed to operating as efficiently as possible and will only increase sewer rates as needed based on an annual review of sewer utility finances.

	Projected Monthly Charges Effective						Proposed Maximum
	11-1-2007	7-1-2008	1-1-2009	1-1-2010	1-1-2011	1-1-2012	
RESIDENTIAL							
<u>Flat Monthly Charge Per Dwelling Unit</u>							
Single family & duplex	\$38.00	\$44.00	\$48.00	\$51.00	\$53.00	\$55.00	\$55.00
Multi-family	29.84	34.55	37.69	40.05	41.62	43.19	43.19
Mobile home	21.88	25.33	27.63	29.36	30.51	31.66	31.66
COMMERCIAL							
<u>Flat Monthly Charge Per Commercial Unit</u>							
Class A - Standard Strength <i>General Comm'l, Theaters, Laundries, Fairgrounds</i>	15.01	17.38	18.96	20.15	20.94	21.73	21.73
<u>Quantity Rate Per 1,000 Gallons</u>							
Class A - Standard Strength <i>General Comm'l, Theaters, Laundries, Fairgrounds</i>	3.07	3.55	3.87	4.11	4.27	4.43	4.43
Class B - Moderate Strength <i>Hotels/Motels</i>	3.70	4.28	4.67	4.96	5.15	5.34	5.34
Class C - High Strength <i>Restaurants</i>	6.51	7.54	8.23	8.74	9.08	9.42	9.42
Class D - Schools	2.74	3.17	3.46	3.68	3.82	3.96	3.96

Residential sewer bills include a fixed monthly charge for sewer service, similar to most agencies in California. The City charges reduced rates for apartments and mobile homes, which tend to discharge less wastewater than single family homes. Rates for multi-family dwelling units, such as apartments, are less than 80% of the single family rate. Mobile homes pay a reduced rate that is approximately 58% of the single family rate. Commercial sewer bills include a flat monthly charge plus a quantity charge based on water consumption. The quantity charge varies by commercial customer class; customers with higher-strength wastewater pay higher rates per unit.

RATE SURVEYS

The City's water and sewer rates are currently low compared to other regional agencies. With the proposed rate adjustments, the City anticipates that its utility rates will be in middle range compared to surrounding areas. Many other regional agencies have had to raise rates in recent years to keep revenues in line with new operating and capital needs.



INFORMATIONAL WORKSHOP

The public is invited to attend an informational workshop on the proposed rate adjustments. The Workshop will be held on September 27, 2007 from 6 to 8 pm at City Hall.

NOTIFICATION OF A PUBLIC HEARING ON PROPOSED RATE ADJUSTMENTS

The Grass Valley City Council will conduct a Public Hearing on the proposed water and sewer rates at 7:00 p.m. on Tuesday, October 9, 2007 in the Council Chambers in Grass Valley City Hall at 125 East Main Street. The proposed water and sewer rates are detailed in this notice. Property owners wishing to protest the proposed rate increases must mail or deliver written protests to: City Clerk, City of Grass Valley, 125 East Main Street, Grass Valley, California 95945. Written protests must: a) identify the affected property or properties, such as by Assessor's Parcel Number or address; b) identify the property owner or owners, and c) include the property owner's signature. The Assessor's Parcel Number is listed above the mailing address on this notification. Protests must be received prior to the close of the Public Hearing. If written protests against the proposed rate increases are submitted by a majority of owners of affected parcels, the City will not approve the proposed rates. If you have questions about the proposed water or sewer rates, please contact the City's Finance Department at (530) 274-4300. For questions about the City's capital projects and infrastructure needs, please contact the City's Engineering Department at (530) 274-4373.

CITY OF GRASS VALLEY
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