

Notice of Public Hearing on Proposed Water Rate Increases

The City of Menlo Park will hold a Public Hearing on proposed new water rates on **Tuesday, May 18, 2010 at 7:00 p.m.** in the City Council Chambers at 701 Laurel St., Menlo Park, California. You may submit a written protest against the proposed water rate increases. Protests must be submitted in writing by the close of the Public Hearing on May 18, 2010. They must: a) identify the affected property by its Assessor's Parcel Number or address; b) identify the property owner; and c) include the property owner's signature. Protests should be sent to Menlo Park Municipal Water District, Attn: Water Rate Protest, 701 Laurel Street, Menlo Park, CA 94025. The proposed rates will not be adopted if protests are received from more than 50% of affected properties.

City Proposing Water Rate Increases

The City of Menlo Park Municipal Water District (City) is proposing to phase in a series of water rate increases over the next five years. They are needed to eliminate water fund deficits, provide funding for water infrastructure repairs and replacements, and fund the City's costs of providing service.

Overview

The City provides water to approximately 4,300 connections, serving about 14,000 people in the Sharon Heights area and portions of the City north and east of El Camino Real. The City purchases all of its water from the San Francisco Public Utilities Commission's (SFPUC) whose main source is the Hetch Hetchy reservoir in the Sierra Nevada.

COMMUNITY MEETING

The City will hold a Community Meeting on **Wednesday, April 21, 2010, at 6:30 p.m.** at the Burgess Recreation Center, Room 118, 700 Alma Street, Menlo Park, to present information and answer any questions relating to the proposed rate increases.

For more information, contact the Engineering Services Division at (650) 330-6740.

Why Rate Increases Are Needed

Water System Improvements

The SFPUC is currently planning, designing and constructing multiple capital improvement projects to increase the safety and reliability of their water supply system. Wholesale water costs have increased more than 60% over the last four years and are expected to almost double over the next five years in order to finance these benefits.

Restore Budget Balances

The City relies primarily on water service charges to fund the purchase of wholesale water, operation and maintenance of its water facilities, and capital improvements. Operating revenues from water rates do not currently meet water operating expenses. Rate increases are needed to restore the financial stability of the City's water utility and ensure reliable high quality water supply for the future.

Fund Capital Improvements

The City maintains over 55 miles of water distribution pipelines, in addition to meters, valves pumps, reservoirs, and fire hydrants. Proposed improvements over the next five years include periodic water main replacement and rehabilitation, an emergency water supply project, and installation of automated meter reading equipment.



CITY OF MENLO PARK
MUNICIPAL WATER DISTRICT
701 LAUREL STREET
MENLO PARK, CA 94025-3483

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PERMIT #6

**NOTICE TO PROPERTY OWNERS OF PUBLIC HEARING
ON PROPOSED WATER RATE INCREASES**

Proposed Water Rates

In accordance with California Constitution Article XIID, the City is proposing to adopt the Proposed Maximum Rates shown in the last column of the following table. The intent is to gradually phase in rate increases up to the maximum adopted level over the next five years to minimize the annual impact on ratepayers. The City Council will be considering various options as outlined below; the maximum rate increase would not exceed the highest rate appearing in the last column. For informational purposes, the table also shows projected rates the City anticipates implementing each year based on current financial projections. If the proposed maximum rates are adopted, the City may collect rates at or below the proposed maximum at any time as needed to meet the City's financial needs. Water rates consist of three components: 1) a fixed monthly charge based on meter size; 2) a capital surcharge per hundred cubic feet (ccf) of water used; and 3) a water usage charge based on metered water consumption. The City remains committed to operating as efficiently as possible and will only implement rate adjustments as needed to meet the City's funding needs based on an annual review of finances. The proposed water rates are based on a study conducted by a utility rate consultant. This study is available for review in the City Clerk's office.

	Current Rates	Projected Water Rates Effective					Proposed Maximum Rates *	
		July 1, 2010	July 1, 2011	July 1, 2012	July 1, 2013	July 1, 2014		
FIXED MONTHLY SERVICE CHARGE, All Customers								
<u>Meter Size</u>								
5/8"	\$7.84	\$9.14	\$10.65	\$12.41	\$14.46	\$16.84	\$16.84	
3/4"	7.84	9.14	10.65	12.41	14.46	16.84	16.84	
1"	12.54	14.61	17.03	19.85	23.12	26.94	26.94	
1-1/2"	25.87	30.15	35.14	40.95	47.70	55.57	55.57	
2"	41.55	48.42	56.43	65.77	76.62	89.26	89.26	
3"	76.04	88.62	103.27	120.36	140.21	163.35	163.35	
4"	117.59	137.04	159.71	186.12	216.83	252.61	252.61	
6"	261.06	304.24	354.56	413.20	481.38	560.81	560.81	
8"	579.34	675.16	786.83	916.98	1,068.28	1,244.54	1,244.54	
10"	1,285.68	1,498.33	1,746.16	2,034.97	2,370.74	2,761.91	2,761.91	
CAPITAL SURCHARGE, All Customers, Rate per ccf**								
	\$0.35	\$0.41	Annually adjust based on the Construction Cost Index (CCI), as published in the Engineering News Record (ENR) for the Bay Area.					
SINGLE FAMILY HOMES, Rate per ccf**								
<u>Option 1A: 4-Tiers</u>								
Tier 1	0 – 5 ccf	\$1.25	\$1.46	\$1.70	\$1.98	\$2.30	\$2.69	\$2.69
Tier 2	6 – 10 ccf	1.57	1.83	2.13	2.48	2.90	3.37	3.37
Tier 3	11 – 25 ccf	1.88	2.19	2.55	2.98	3.47	4.04	4.04
Tier 4	> 25 ccf	2.51	2.93	3.41	3.97	4.63	5.39	5.39
<u>Option 1B: 4-Tiers with steeper tiers to encourage additional conservation</u>								
Tier 1	0 – 5 ccf	\$1.25	\$1.25	\$1.45	\$1.69	\$1.97	\$2.30	\$2.30
Tier 2	6 – 10 ccf	1.57	1.56	1.82	2.12	2.47	2.87	2.87
Tier 3	11 – 25 ccf	1.88	2.08	2.42	2.82	3.29	3.83	3.83
Tier 4	> 25 ccf	2.51	4.16	4.84	5.64	6.58	7.66	7.66
ALL OTHER CUSTOMERS, Rate per ccf**								
<u>Option 2A: 4-Tiers</u>								
Tier 1	0 – 5 ccf	\$1.25	\$1.46	\$1.70	\$1.98	\$2.30	\$2.69	\$2.69
Tier 2	6 – 10 ccf	1.57	1.83	2.13	2.48	2.90	3.37	3.37
Tier 3	11 – 25 ccf	1.88	2.19	2.55	2.98	3.47	4.04	4.04
Tier 4	> 25 ccf	2.51	2.93	3.41	3.97	4.63	5.39	5.39
<u>Option 2B: 2-Tiers</u>								
Tier 1	0 – 50 ccf		\$2.07	\$2.42	\$2.82	\$3.28	\$3.82	\$3.82
Tier 2	> 50 ccf		3.00	3.49	4.07	4.74	5.52	5.52

* Maximum water rates proposed to be adopted.

** 1 ccf = 100 cubic feet, or 748 gallons.

The projected water rates and proposed maximum rates account for annual cost increases to wholesale water rates paid by the City to SFPUC. The City will pass through additional rate increases to account for higher-than-anticipated increases in the wholesale water rate. The City's five-year rate program assumes a maximum SFPUC wholesale rate of \$3.21/ccf, and, in accordance with Government Code 53756, to the extent that SFPUC increases its wholesale rates within the next five years above that amount, the City will pass through the increased costs (above \$3.21/ccf) onto the rate charged to ratepayers on a one-to-one (or \$0.01 for \$0.01) basis. This pass-through provision applies to wholesale rates, water management charges, and other regulatory or environmental charges that the City is required to pay SFPUC. These rate pass-throughs will only be implemented with the required 30 days notice to ratepayers.