

Frequently Asked Questions (FAQ)

Proposed Water and Sewer Rate Increases

Revised: 5/21/2024

(Note: This FAQ will be updated and revised as new information is available and new questions added and will be posted on the City's website.)

How will this impact me?

The proposed rate changes will increase your water and sewer bill. The impact will vary depending on how much water and sewer service you use, your meter size, and whether you are a residential, commercial, or irrigation customer. For a typical single-family household, we project the bi-monthly bill for water and sewer will increase by about \$86 (or \$43 per month) in the first year, and then continue to increase in smaller increments over four additional years. The typical residential customer uses 5,000 gallons of water per month and a winter water use (for determining sewer bill) of 2,500 gallons per month. To understand how this will impact your specific bill, please refer to the "Rate Calculator" that can be found on the City's website.

How do the proposed "tiered" water rates work?

For single-family residential customers only, we are proposing to change that so the cost per 1,000 gallons will be in three 'tiers.' Tiered water rates reward customers who use less water by charging the least amount per 1,000 gallons for use in the first tier, and increasingly more as customers use more water and move into higher tiers. Tiered rates are the most common way to charge for water in California.

The lowest tier corresponds to an amount of water sufficient to meet typical indoor household needs—cooking, drinking, and sanitation at the lowest possible rate. Each subsequent tier charges a higher rate and is designed to send a price signal to households when using water for outdoor irrigation. It's important to note that as a customer uses more water, their use "moves through the tiers," meaning that even if their water use moves into the second or third tier, they still receive that first tier of water at the lowest rate.

To help customers determine what their bill could be based on the new water rates, the City has developed a water rate calculator that customers can use. The water calculator is located on the City's website at the following Link: [Water & Sewer Rate Increase 2024 Page](#). To use the calculator, it is suggested that the customer take an old bill and input information from the bill to the calculator. At this time, the City has developed the calculator for Single Family Residential. The City is currently developing the calculator for multi-family residential and Commercial customers but it is not yet ready for release.

Why do you need to raise my water and sewer rates?

We've used our reserves over the last five years to keep rates down. This benefited our community as we weathered COVID and economic uncertainty. However, that resulted in the revenue from rates being below our operating costs. This is not sustainable. Additionally, with lower rates we have not invested enough in maintaining our systems. Many parts of our systems are at or near the end of their useful life. This increases the risk of failures that could result in residents not having water or sewer service for several days. We have had minor disruptions and hope to prevent major problems by replacing the aging parts of the systems and improving maintenance. We need to raise rates to cover the costs of replacing our aging system.

What happens if rates are not raised?

We would not have sufficient revenues to operate our water and sewer systems properly and the City would have to continue to support the utility funds in the amount of approximately \$100k per month in Water and \$125k per month in wastewater. We would also need to defer capital investments to our system that leaves our existing systems vulnerable to catastrophic failures and jeopardizing public health.

What are you doing to help people who can't afford rate increases?

We recognize that affordability is an issue for our customers with low incomes. The City offers, on a case by case basis, a flexible payment plan that is worked out with you individually. Contact the City's Utility Billing at (707) 823-7863 to discuss your needs.

How is the City of Sebastopol's water and sewer services funded and what do they pay for?

The City's water and sewer services are paid for through customers' water and sewer service rates and charges. The water and sewer funds are intended to be fully self-supporting and pay for operations and maintenance, debt coverage (loans), cash reserves, and capital improvements.

What is the process that the City used to determine the proposed rate changes?

The City is required to undertake independent rate studies at least every five years to ensure the rates customers are charged reflect the true cost of providing our services. The last rate study for water and sewer rates was completed in 2019, and a new one was required. The new independent rate study found that rate increases are warranted. A more detailed response can be found in the Prop. 218 notice that customers received and is also attached at the back of this FAQ for easy reference.

What is the Proposition 218 process, and how are written protests calculated?

In November 1996, California voters passed Proposition 218, the "Right to Vote on Taxes Act". Prop. 218 requires voter approval prior to imposition or increase of general taxes, assessments, including water and sewer service rates and charges. Specific features of Prop. 218 for water and sewer service charges:

- Requires the City put charges and user fees out to a vote prior to an increase. In most cases, the vote will require individual notices be mailed to affected property owners or customers. A formal protest hearing is also required to move forward with the increase.
- Requires fees charged to property owners and customers may not exceed the cost of providing the service.
- Property owners or customers have the right to protest the proposed water and/or wastewater rates. The protest must be in writing, and must be submitted by either the property owner or a utility customer. Detailed information regarding the voting process can be found in the Prop. 218 Notice.
- At the conclusion of the Public Hearing scheduled on June 18, 2024, the City Council will consider adopting the proposed changes as follows:
 - 1) If fewer than a majority of affected parcels file a written protest, the City Council will consider adjusting water and/or wastewater rates as proposed.
 - 2) If a majority (50% +1) of affected parcels submit protests against the water or wastewater rates before the conclusion of the Public Hearing, the City is prohibited by law from increasing water and/or wastewater rates at this time.

Who approves rate changes?

The City Council approves rate changes in the manner as described in the Prop. 218 process.

Why does the City need to worry about water conservation if it receives all of its supply from groundwater?

The groundwater basin in the Santa Rosa Plain groundwater basin, where Sebastopol's supply comes from, is in an unbalanced condition with more being extracted from the basin than is being replenished. Therefore, it is important to continue to advocate water conservation to keep the groundwater supply sustainable into the future.

Who is impacted by changing from a Fixed Rate to a Tiered Rate structure?

All single-family residential customers will be changing to a Tiered Rate structure. Commercial customers, irrigation customers, and multi-family customers (such as those in an apartment), will continue to pay a

Fixed Rate structure. For single-family residential customers, we are proposing to change that so the cost per 1,000 gallons will be in three 'tiers.' The first tier will cost less per 1,000 gallons. This ensures that essential water use—what you use inside your home for cooking, drinking, and sanitation – is charged at the lowest possible rate.

Is revenue from water and sewer rates used to fund non-water projects or programs?

No. Water revenues can only be used for water services and projects and sewer revenues can only be used for wastewater services and projects.

When would the new rates begin?

If approved by City Council at the conclusion of the public hearing on June 18, 2024, the rates would become effective on July 1, 2024.

Why does the city bill for water every two months instead of monthly like my other bills?

The City bills every two months to save administrative and operating costs. Monthly billing would increase the City's costs by approximately \$106,000 per year.

Why are water and sewer rate increase studies from other jurisdictions more detailed?

The Financial Plan slides presentation from the Council of 4/23/24 is not the detailed Financial Plan report. The report is being prepared given Council's direction on the options selected and will be posted to the website. The Financial Plan report will be just as detailed as the ones prepared by nearby jurisdictions.

How will reduced water use triggered by drought and by increased rates affect the projected revenue?

In October 2023, the City adopted Ordinance 1149 for a Water Shortage Contingency Plan. The Plan provides for drought responses and measures to be undertaken depending on the severity of the drought. The water shortage contingency plan can be used as a basis for future water shortage contingency plan adjustments should it be necessary to make a specific declaration for a water conservation stage and adjust rates to account for the reduction in revenue due to a drought. As for the current Financial Plan, the projected revenues were estimated conservatively to take into account potential reduced water use that may be triggered by the higher rates as well as the tiered rates.

Are there resources we can make available to residents to help them reduce water use in order to reduce the impact of the new rates?

Administrative Services has a Water Conservation page related to the BayRen program (Bay Area Regional Energy Network). This is a program for water efficient upgrades. The water conservation link is found here <https://www.cityofsebastopol.gov/water-conservation-program/>

Given the resulting new water rates from the Council decision on 4/23/24, how much of the total needed would be collected each year for each fund under the proposed tiered rate schedule?

For Water fund (Option 1 selected), revenues collected will need to increase each year by the following percentages:

Fiscal Year	Revenue Adjustment
FY 2024-25	50%
FY 2025-26	16%
FY 2026-27	2%
FY 2027-28	2%
FY 2028-29	2%

For the Wastewater fund (Option 2 selected), revenues collected will need to increase each year by the following percentages:

Fiscal Year	Revenue Adjustment
FY 2024-25	50%
FY 2025-26	11%
FY 2026-27	9%
FY 2027-28	9%
FY 2028-29	9%

Given that the Council chose option 1 for water and option 2 for wastewater, plus delayed the payment start date for the general fund loan, what are the resulting new water rates?

The proposed water rates are the same as what was presented to Council on 4/23/24. However, the new proposed wastewater rates are different than what was presented based on Council's direction on the delayed payment start date for general fund loan to Wastewater. The new proposed wastewater rates are shown below and also on the Prop. 218 notice:

Proposed 5-Year Wastewater Rate Schedule

Charge	Current	7/1/2024	7/1/2025	7/1/2026	7/1/2027	7/1/2028
<i>Revenue Adjustment</i>		50.0%	11.0%	9.0%	9.0%	9.0%
Meter Size, \$/bi-mo						
5/8x3/4" & 3/4"	\$76.61	\$95.25	\$105.73	\$115.25	\$125.63	\$136.94
1"	\$127.97	\$258.35	\$286.77	\$312.58	\$340.72	\$371.39
1.5"	\$254.86	\$657.20	\$729.50	\$795.16	\$866.73	\$944.74
2"	\$408.03	\$841.02	\$933.54	\$1,017.56	\$1,109.15	\$1,208.98
3"	\$893.44	\$2,093.81	\$2,324.13	\$2,533.31	\$2,761.31	\$3,009.83
4"	\$1,276.06	\$6,307.17	\$7,000.96	\$7,631.05	\$8,317.85	\$9,066.46
Volume, \$/kgal	\$10.31	\$15.47	\$17.18	\$18.73	\$20.42	\$22.26

Note: Single family on a 1" meter for fire service are charged the 3/4" rate.

What is the total dollar amount we would need in today's dollars, to cover our deficit and to have sufficient reserves, in order to stabilize the water and sewer funds?

Revenues are approximately \$1.2 million less than expenses for the Water Fund and approximately \$1.5 million less than expenses for the Wastewater Fund.

Did the tiered proposal take into consideration potential reductions in water use by customers trying to reduce their bills (and resulting reductions in revenue collected from ratepayers)?

Yes. The proposed revenue adjustments were estimated conservatively to take this into account.

What is the "average residential user" for purposes of water and wastewater rates and how much water is that user consuming and what category does that user fall into for wastewater fee purposes?

Based on the analysis of existing customers, the average residential user uses 5,000 gallons per month. The average winter use (for determining sewer billing) is 2,500 gallons per month.

What is the expected increased cost to the City (as a ratepayer) from the resulting new rates approved by the Council?

The financial impact of the utility rate adjustments for FY 2024-25 is approximately \$214,000. This is a significant change from approximately \$96,000 currently budgeted in FY 2023-24. The need for this adjustment arose from findings during the meter replacement project. It was revealed that several city

properties were equipped with meters of incorrect sizes, and sewer charges had not been properly applied. These errors date back over 9 years ago and only came to light with the recent meter project.

How does Sebastopol’s rates compare to other communities in the region?

Sebastopol’s rates as proposed in the draft Financial Plan dated 5/15/24 is shown below in comparison to nearby cities.

Agency	Water ⁽¹⁾	Wastewater ⁽²⁾	Total Monthly Bill (FY 2024-2025)
Rohnert Park	\$55.28	\$51.62	\$106.90
Windsor	\$29.93	\$78.91	\$108.84
Sebastopol (Current)	\$45.01	\$69.24	\$114.24
Santa Rosa	\$46.62	\$75.77	\$122.39
Petaluma	\$51.05	\$79.26	\$130.31
Cloverdale	\$79.18	\$57.06	\$136.24
Cotati	\$50.10	\$90.54	\$140.64
Sebastopol (Proposed)	\$63.22	\$94.04	\$157.26
Healdsburg	\$82.28	\$110.33	\$192.61
St. Helena	\$115.27	\$134.49	\$249.76
Calistoga	\$161.08	\$132.80	\$293.88