



Proposition 218 Notification Notice of Public Hearing Regarding Water and Wastewater Rate Adjustments

City of Gilroy
7351 Rosanna Street
Gilroy, CA 95020-6197
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<http://www.cityofgilroy.org>

Hearing Date and Time: October 16, 2023, at 6:00 p.m. or soon thereafter

Location: 7351 Rosanna Street, Gilroy, CA 95020-5197

The City Council of the City of Gilroy will hold a Public Hearing on October 16, 2023, at 6:00 p.m. or soon thereafter, in the City of Gilroy City Council Chambers located at 7351 Rosanna Street, Gilroy, CA to consider adjustments to water and wastewater rates assessed to all customers. If approved, the rate adjustments will commence with service period beginning January 1, 2024 and will be adjusted annually thereafter for a five-year period.

You are receiving this notification in compliance with California Constitution Article XIII D Section 6 (Proposition 218) requirements that all impacted property owners are mailed notice of proposed rate changes at least 45 days prior to a public hearing. In addition, Section 53755 of the Government Code authorizes those notices to be mailed to customers who are billed for the service. Proposition 218 also establishes a protest process for the public to follow if they wish to oppose the proposed rates.

The City's last rate study was conducted in 2015 which set rates for a five-year period, with the last scheduled increase in 2019. Rates for both water and wastewater services have not been adjusted since 2019. The City is legally required to collect revenues sufficient to cover the costs of operating the water and wastewater systems. These revenues allow the City to ensure both systems continually meet or exceeds all public health and environmental standards. Costs that must be recovered through rate revenue include groundwater production, wastewater treatment, electricity, equipment, supplies and services, debt service, and personnel. Additionally, revenues generated from both utility rates are used to finance the repair and renovation of aging infrastructure and maintain reserve funds. The rates proposed herein were developed through the Comprehensive Water and Wastewater Rate Study (Rate Study) designed to meet all legal requirements and fairly and equitably recover the necessary revenue from all customer classes. The Rate Study is available for your review at <https://tinyurl.com/2023RateStudy>.

Proposed Wastewater Rates

Wastewater revenues pay for the operations and maintenance of the collection system (pipes and pump stations that transport the wastewater from homes and businesses to the wastewater treatment plant) and the administrative and regulatory costs to run the system. The treatment plant is operated by the South County Regional Wastewater Authority (SCRWA), a Joint Powers Authority (JPA) whose members are the cities of Gilroy and Morgan Hill. A portion of the wastewater revenues collected by the City is used for payments to SCRWA. In addition, wastewater rates support infrastructure investments, such as necessary system repairs and renovations to meet new regulations.

The residential wastewater service rates consist of fixed monthly charges. The non-residential wastewater service rates are comprised of two components: 1) a fixed monthly charge for non-residential wastewater monitoring and pretreatment program charges and 2) a volumetric monthly charge with four wastewater strength categories.

The current and proposed wastewater rates charges for the next five years are presented in the Table 1 below:

Table 1 – Current and Proposed Wastewater Rates

Sewer Rate Schedule	Current Rates	Proposed Sewer Rates				
		FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28
Monthly Fixed Charge						
Residential (100% Fixed)						
Single-Family Residence	\$46.64	\$51.07	\$53.11	\$55.24	\$57.45	\$59.74
Multi-Family Residence	\$33.13	\$34.39	\$35.77	\$37.20	\$38.69	\$40.23
Non-Residential Volumetric Rates						
Low Strength	\$7.41	\$8.36	\$8.69	\$9.04	\$9.40	\$9.78
Domestic Strength	\$9.21	\$9.51	\$9.89	\$10.29	\$10.70	\$11.12
Medium Strength	\$12.08	\$13.15	\$13.67	\$14.22	\$14.79	\$15.38
High Strength	\$18.63	\$21.56	\$22.42	\$23.32	\$24.25	\$25.22
Non-Residential - Monitoring & Pretreatment Program Base Rate Monthly Charges						
Significant/Categorical	\$240.95	\$287.19	\$298.68	\$310.63	\$323.05	\$335.98
Non-Significant/Categorical	\$95.22	\$114.64	\$119.22	\$123.99	\$128.95	\$134.11
Other Non-Residential	\$11.47	\$15.47	\$16.09	\$16.73	\$17.40	\$18.09

Note: Revenue from rate increases assumes an implementation date of January 1, 2024 for new rates. For each fiscal year thereafter, the assumption is that new rates will also be implemented on January 1st of each year.

Proposed Water Rates

Water revenues pay for the operations and maintenance of infrastructure required to deliver water to the residential and non-residential customers of the City of Gilroy. A portion of these rates fund charges from the Santa Clara Valley Water District (SCVWD), known as Valley Water, for ground water production and management, as 100% of the City's water is pumped from the ground.

The City currently charges residential and non-residential customers a monthly fixed water charge, also known as base charge, based on meter size. In addition to a fixed monthly charge, all customers pay a variable charge, also known as volumetric rate, per 1,000 gallons consumed consisting of two rate tiers of consumption (under and above 30,000 gallons) and three different pump pressure zones. The proposed water rate design eliminates the two tiers and proposes a uniform tier for all customers.

The current and proposed water rate charges for the next five years are presented in detail on Table 2 below:

Table 2 – Current and Proposed Water Rates

Water Rate Schedule	Current Rates	Proposed Rates				
		FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28
Monthly Fixed Service Charges						
Meter Size						
3/4 inch	\$11.53	\$20.67	\$22.32	\$23.66	\$24.61	\$25.59
1 inch	\$19.24	\$29.05	\$31.38	\$33.26	\$34.59	\$35.98
1 1/2 inch	\$38.47	\$50.02	\$54.02	\$57.26	\$59.55	\$61.93
2 inch	\$61.55	\$75.17	\$81.18	\$86.05	\$89.50	\$93.08
3 inch	\$115.39	\$142.24	\$153.62	\$162.84	\$169.36	\$176.13
4 inch	\$192.30	\$217.70	\$235.12	\$249.23	\$259.20	\$269.57
6 inch	\$384.62	\$427.32	\$461.50	\$489.19	\$508.76	\$529.11
8 inch	\$615.37	\$678.85	\$733.16	\$777.15	\$808.23	\$840.56
10 inch	\$884.50	\$1,768.83	\$1,910.34	\$2,024.96	\$2,105.95	\$2,190.19
Variable Charges for All Water Consumed (\$/1,000 gallons (or TG))						
Residential Customers - Tiered Volumetric Rates		Uniform Vol. Rates				
Tier 1 - Zone 1	\$4.39	\$4.00	\$4.32	\$4.58	\$4.77	\$4.96
Tier 1 - Zone 2	\$4.93	\$4.37	\$4.72	\$5.00	\$5.20	\$5.41
Tier 1 - Zone 3	\$5.52	\$4.73	\$5.11	\$5.41	\$5.63	\$5.85
Tier 2 (more than 30 TG)						
Tier 2 - Zone 1	\$4.93	N.A.	N.A.	N.A.	N.A.	N.A.
Tier 2 - Zone 2	\$5.47	N.A.	N.A.	N.A.	N.A.	N.A.
Tier 2 - Zone 3	\$6.06	N.A.	N.A.	N.A.	N.A.	N.A.

Note: Revenue from rate increases assumes an implementation date of January 1, 2024 for new rates. For each fiscal year thereafter, the assumption is that new rates will also be implemented on January 1st of each year.

Valley Water Passthrough Rate Increase for Groundwater

Valley Water charges the City a ground production charge for 100% of the City's water that is pumped from the ground. In the event that Valley Water imposes additional charges associated with the pumping of groundwater, the City will implement a passthrough adjustment to customer's bills no earlier than thirty (30) days after the adjustment has been enacted by Valley Water and noticed to all City customers.

When Would New Rates Become Effective?

If approved, the first water and wastewater rate adjustment will be effective the service period beginning January 1, 2024 and adjusted annually every January 1 thereafter.

Protest Procedure

As the owner or customer of record of a parcel subject to the imposition of the proposed rate adjustments, you may submit a written protest against the proposed rate changes. If the City receives written protests against proposed rates by a majority of the affected property owners or tenants or utility customers on record prior to the end of the hearing, the Council will not approve the change. Only one written protest will be counted per identified parcel.

You have the right to withdraw a written protest that you previously submitted prior to the conclusion of the public hearing. The City Council will count all written protests received (not postmarked) prior to the conclusion of the public hearing. The City Council will not count written protests submitted after the conclusion of the public hearing.

A written protest must include (1) your name; (2) identification of the parcel by address or assessor's parcel number; (3) whether you are the owner of the parcel or the person receiving the service for which the fee is charged; (4) your statement of the specific rate changes for which you protest the increase in the fee; and (5) your original signature. Written protests will not be accepted by e-mail or by fax. Verbal protests will not be counted. Written protests may be submitted by mail or in person to:

**City of Gilroy
Attn: Utilities Rate Protest
7351 Rosanna Street
Gilroy, CA 95020-6197**

At the Public Hearing, the City Council will hear and consider all written and oral protests to the proposed rate increases. Oral comments at the Public Hearing, however, will not qualify as formal protests unless accompanied by a written protest. At the conclusion of the Public Hearing, the City Council will consider adoption of the resolution authorizing the rate increases to the water and wastewater service fees as described herein.

For more information, please visit: <https://www.cityofgilroy.org/994/Water-and-Wastewater-Rate-Adjustment>, or contact the City's Finance Department via phone at 408-846-0420 or email at ub@cityofgilroy.org.