



NOTICE TO PROPERTY OWNERS OF PUBLIC HEARING REGARDING PROPOSED WATER RATES

Hearing Date & Time: August 8, 2012 6:00 PM
Hearing Location: City Hall Council Chambers
1515 Sixth Street, Coachella, CA. 92236

Why are you receiving this notice?

The City of Coachella (the "City") is mailing this notice to you because you are a water customer directly liable for the payment of water service fees or are the owner of record of a property that receives water service. This notice describes proposed changes to the rates for the City's water service fees, and provides notice of a public hearing to be held on **Wednesday, August 8, 2012 at 6:00 p.m. at the City Hall Council Chambers, 1515 Sixth Street, Coachella, CA 92236** regarding these proposed changes.

What do water and sewer rates fund?

The City provides water service to approximately 7,000 customers. Monthly water service fees are the primary source of revenue to operate the water system. Service fees fund costs related to system operations, capital projects, debt service, administration, as well as costs related to prudent long-term operational or financial management of the water system, such as maintaining adequate fund reserves and planning for contingencies.

Revenues received from water service fees are used solely to fund the water enterprise. The proposed rates for the City's water service fees are based on a comprehensive rate study (the "Study") prepared by an independent consultant. The City will annually review revenues and expenditures for the water fund to ensure that sufficient and appropriate revenues are collected to effectively provide for the short and long-term water service needs of the community.

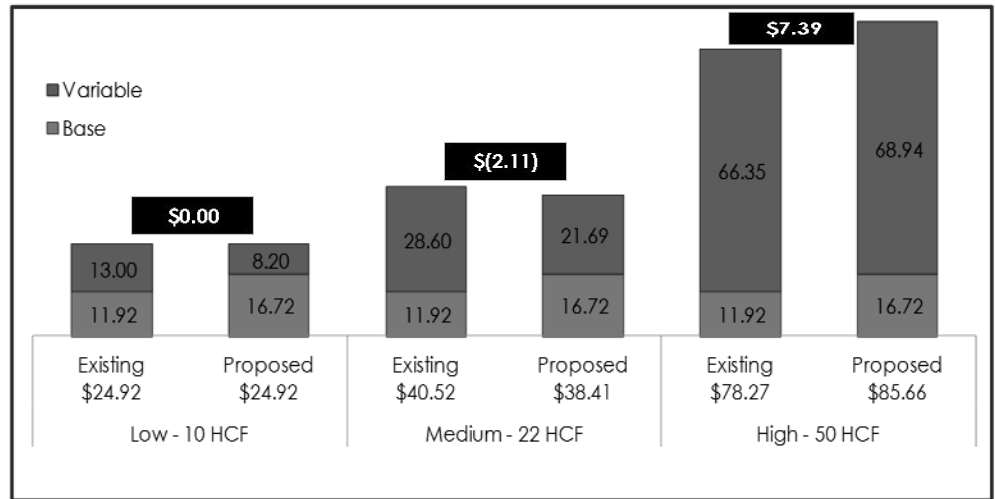
Why are rate increases needed?

The Study demonstrated that the City's existing water rates are not fully recovering costs associated with operations and maintenance, repairs and replacements and other capital project needs for the utility. As a result, the City has been deferring necessary capital replacement and drawing on operating reserves to fund ongoing water expenses. In addition, future water capital improvements require additional ratepayer funding. These capital projects will be funded primarily with rate revenues and fees paid by new development connecting to the system.

The proposed rates are comprised of two components – a Meter Charge and a Commodity Charge. The required revenue is based on projected expenses for operations, maintenance, and required repairs and/or replacements of capital facilities and equipment. The projected revenue is based on historical volumetric usage (consumption) and distinguished between revenues derived from Meter Charges and Commodity Charges. The Meter Charge is a fixed charge calculated to recover fixed costs of providing water service, with costs allocated based on the number of accounts and the size of a customer's water meter. The Commodity Charge recovers the variable costs of providing water services, and costs associated with the delivery of water. For residential customers the Commodity Charge consists of four tiers which will impose higher rates per unit of water (measured in hundreds of cubic feet or HCFs) as the level of consumption increases. For commercial and irrigation customers the Commodity Charge is a fixed rate imposed for each unit (HCF) of water consumed. The proposed revenue increase will be 9% for the first year, 8% for the second year, 8% for the third year, 5% for the fourth year, and 4% for the fifth year. The rates are structured to recover the proportionate cost of providing water service among the various customer classes on a parcel basis. The rates for the various customer classes are further described below.

Impact on your bill

Per the proposed rates, a typical single family home that uses 22 HCF of water per month, would decrease from \$40.52 per month currently to \$38.41 per month for Fiscal Year 2012-2013. The accompanying graph provides a summary of existing and proposed water rates under three usage scenarios. The black boxes represent the difference between the existing rate structure and the proposed rate structure by usage level.



New water rates

The city is proposing to phase in a series of annual water rate adjustments to provide adequate funding for water operations, maintenance, and infrastructure. The rate adjustments will take place July 1st of each year; however, for Fiscal Year 2012-2013, the new rates will not go into effect until September 1, 2012.

The existing single class rate structure was expanded to three distinct customer classes (Single-Family, Commercial, and Irrigation). Based on a detailed multi-year consumption analysis and detailing of billing records, accounts were grouped based on user classification and peaking factors to create an appropriate and equitable rate design. The total cost of serving each customer class is determined by distributing each of the utility cost components among the user classes based upon the respective service requirements of each customer class. As such, a cost of service rate study enables a water utility to proportionately allocate costs to each customer class and adopt rates that equitably recovers those costs from the accounts within the respective customer class. For single-family customers, the rate redesign changes the existing uniform rate structure to one with four-tiers, which reflects the increased cost of providing service as customers consume a greater amount of water.

Monthly Commodity Charge		July 1 2012	July 1 2013	July 1 2014	July 1 2015	July 1 2016
Single-Family Tier (HCF)						
Tier 1	0 - 10	\$ 0.82	\$ 0.88	\$ 0.94	\$ 0.98	\$ 1.01
Tier 2	10.01 - 20	1.04	1.11	1.19	1.24	1.28
Tier 3	20.01 - 30	1.56	1.67	1.79	1.86	1.92
Tier 4	> 30	1.74	1.87	1.99	2.07	2.14

Commercial

Uniform	\$ 1.12	\$ 1.21	\$ 1.30	\$ 1.36	\$ 1.41
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Irrigation

Uniform	\$ 1.22	\$ 1.32	\$ 1.43	\$ 1.50	\$ 1.56
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Monthly Meter Charge	July 1 2012	July 1 2013	July 1 2014	July 1 2015	July 1 2016
5/8" - 3/4"	16.72	17.95	19.18	19.96	20.59
1"	22.45	24.11	25.76	26.80	27.65
1.5"	28.18	30.27	32.33	33.65	34.71
2"	43.95	47.20	50.42	52.47	54.12
3"	160.03	171.88	183.60	191.06	197.07
4"	203.02	218.06	232.92	242.39	250.01
6"	303.34	325.81	348.01	362.16	373.55
8"	417.98	448.96	479.55	499.04	514.73

How do you file a protest or participate in the public hearing?

Any property owner of a parcel upon which the water service fees will be imposed or any tenant directly responsible for the payment of water service fees (i.e., a customer of record) may submit a written protest to the proposed increases to the water service fees; provided, however, only one protest will be counted per identified parcel. Any written protest must: (1) state that the identified property owner or customer of record is in opposition to the proposed water service fees; (2) provide the location of the identified parcel (by assessor's parcel number or street address); and (3) include the name and signature of the property owner or customer of record submitting the protest. Written protests may be submitted by mail or in person to the City Clerk, or at the Public Hearing (date and time noted above) at 1515 Sixth Street, Coachella, CA 92236. Regardless of how the written protest is submitted, it must be received by the City prior to the conclusion of the public comment portion of the Public Hearing. Any protest submitted via e-mail or other electronic means will not be accepted. Please identify on the front of the envelope for any written protest, whether mailed or submitted in person to the City Clerk, that the enclosed protest is for the Public Hearing on the Proposed Water Service Fees.

The City Council will hear and consider all written and oral protests to the proposed rate increases at the Public Hearing. Oral comments at the Public Hearing will not qualify as formal protests unless accompanied by a written protest. Upon the conclusion of the Public Hearing, the City Council will consider adoption of the proposed increases to the rates for water service fees described in this notice. If written protests against the proposed rate increases as outlined above are not presented by a majority of property owners or customers of record, the City Council will be authorized to impose the proposed rates. If adopted, the proposed rates for the water sewer service fees will be in effect beginning September 1, 2012, and adjusted each July 1 thereafter through July 1, 2016.

If you have any questions about the proposed rate increase, please contact Maritza Martinez at (760) 501-8111 during normal business hours. A complete copy of the staff report to the City Council will be available on August 2, 2012, on our website at www.coachella.org, or obtained in person in the City Clerk's Office at City Hall after that date.