

CITY OF MERCED

NOTICE OF PROPOSED WATER RATE DECREASE FOR METERED WATER SERVICE, INCREASE FOR NON-METERED WATER SERVICE AND DECREASE IN WATER CAPITAL FACILITIES CHARGES

September 21, 2012

THE CITY OF MERCED IS PROPOSING TO MODIFY ITS WATER RATES AND WATER CAPITAL FACILITIES CHARGES.

1. THE PROPOSED WATER RATES AND WATER CAPITAL FACILITIES CHARGES:

The base rate for metered water service for residential, industrial, and commercial metered service per one hundred cubic feet or fraction thereof is as follows:

Base Rate	2013	2014	2015	2016	2017
Charge per HCF	\$0.87	\$0.87	\$0.87	\$0.87	\$0.87

A minimum base monthly fee for water use will be charged as follows:

Minimum Base Monthly Fee

Meter Size	Included (hcf)	2013	2014	2015	2016	2017*
3/4-inch or smaller	30	\$33.66	\$33.66	\$33.66	\$33.66	\$33.66
1-inch meter	30	\$35.03	\$35.03	\$35.03	\$35.03	\$35.03

Meter Size	Included (hcf)	2013	2014	2015	2016	2017*
1-1/2 inch meter	40	\$46.71	\$46.71	\$46.71	\$46.71	\$46.71
2-inch meter	50	\$64.39	\$64.39	\$64.39	\$64.39	\$64.39
3-inch meter	50	\$74.84	\$74.84	\$74.84	\$74.84	\$74.84
4-inch meter	50	\$88.28	\$88.28	\$88.28	\$88.28	\$88.28
6-inch meter	50	\$103.21	\$103.21	\$103.21	\$103.21	\$103.21
8-inch meter	50	\$148.02	\$148.02	\$148.02	\$148.02	\$148.02
10-inch meter	50	\$192.79	\$192.79	\$192.79	\$192.79	\$192.79
12-inch meter	50	\$237.32	\$237.32	\$237.32	\$237.32	\$237.32

For each reduced pressure backflow preventer from the same service connection, a base monthly fee for annual testing and inspection shall also be paid as follows:

Base Rate	2013	2014	2015	2016	2017*
Backflow Device Charge	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00

*Starting January 1, 2018, the above base water service charge shall be adjusted annually based on a formula set forth in Merced Municipal Code Section 15.36.045. The new rates set forth above shall be implemented on January 1, 2013, with subsequent scheduled increases implemented on January first of each year.

Flat Rate – Residence and Church.

A. Until retrofitted with water meters under the requirements in Merced Municipal Code Section 15.32.040, detached single-family residence or church on lots of not over eighty-eight thousand square feet (88,000 sq/ft), without an existing water meter, may continue to pay for water service at the base unmetered rate as follows:

Lot Area (sq. ft.)		Base Flat Rate per Service Connection per Month				
From	To	2013	2014	2015	2016	2017*
0	10,000	\$35.14	\$36.74	\$36.74	\$36.74	\$36.74
10,001	13,000	\$40.89	\$45.06	\$45.06	\$45.06	\$45.06
13,001	16,000	\$48.70	\$53.37	\$53.37	\$53.37	\$53.37
16,001	19,000	\$56.07	\$61.69	\$61.69	\$61.69	\$61.69
19,001	22,000	\$62.98	\$70.01	\$70.01	\$70.01	\$70.01
22,001	25,000	\$69.22	\$78.32	\$78.32	\$78.32	\$78.32
25,001	28,000	\$76.45	\$86.64	\$86.64	\$86.64	\$86.64
28,001	31,000	\$83.36	\$94.96	\$94.96	\$94.96	\$94.96
31,001	34,000	\$90.93	\$103.27	\$103.27	\$103.27	\$103.27
34,001	37,000	\$98.49	\$111.59	\$111.59	\$111.59	\$111.59
37,001	40,000	\$106.38	\$119.91	\$119.91	\$119.91	\$119.91
40,001	43,000	\$110.33	\$128.22	\$128.22	\$128.22	\$128.22
43,001	46,000	\$118.22	\$136.54	\$136.54	\$136.54	\$136.54
46,001	49,000	\$126.11	\$144.86	\$144.86	\$144.86	\$144.86
49,001	52,000	\$134.00	\$153.17	\$153.17	\$153.17	\$153.17

From	To	2013	2014	2015	2016	2017*
52,001	55,000	\$141.89	\$161.49	\$161.49	\$161.49	\$161.49
55,001	58,000	\$149.78	\$169.81	\$169.81	\$169.81	\$169.81
58,001	61,000	\$157.67	\$178.12	\$178.12	\$178.12	\$178.12
61,001	64,000	\$165.55	\$186.44	\$186.44	\$186.44	\$186.44
64,001	67,000	\$173.44	\$194.76	\$194.76	\$194.76	\$194.76
67,001	70,000	\$181.33	\$203.07	\$203.07	\$203.07	\$203.07
70,001	73,000	\$189.22	\$211.39	\$211.39	\$211.39	\$211.39
73,001	76,000	\$197.11	\$219.71	\$219.71	\$219.71	\$219.71
76,001	79,000	\$205.00	\$228.02	\$228.02	\$228.02	\$228.02
79,001	82,000	\$212.89	\$236.34	\$236.34	\$236.34	\$236.34
82,001	85,000	\$220.78	\$244.66	\$244.66	\$244.66	\$244.66
85,001	88,000	\$228.67	\$252.97	\$252.97	\$252.97	\$252.97
88,001	or more metered service					

C. In addition, the base monthly rate for each swimming pool served from the same service connection shall be:

	2013	2014	2015	2016	2017*
Each swimming pool	\$7.31	\$7.80	\$7.80	\$7.80	\$7.80

D. In addition, for each reduced pressure backflow preventer served from the same service connection, a base monthly fee for annual testing and inspection shall be paid as follows:

	2013	2014	2015	2016	2017*
Backflow Device Charge	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00

*Starting January 1, 2018, the base water service charge shall be calculated based on a formula set forth in Merced Municipal Code Section 15.36.045. The new rates set forth in this Section shall be implemented on January 1, 2014, with subsequent scheduled increases implemented on January first of each year.

Flat Rate – Hydrant and Fire Protection Service.

A. For public fire hydrant service on private property, the per hydrant base charge is as follows:

Flat Rate-Hydrants and Fire Protection Service

	2013	2014	2015	2016	2017*
Public Fire Hydrant Service on Private Property	\$17.56	\$19.49	\$19.49	\$19.49	\$19.49

B. For private fire protection service, the following base rates shall be applicable to all automatic fire sprinkler systems:

Flat Rate-Hydrants and Fire Protection Service

Service Connection		2013	2014	2015	2016	2017*
4-inch meter	Per month	\$15.53	\$17.24	\$17.24	\$17.24	\$17.24
6-inch meter		\$18.13	\$20.12	\$20.12	\$20.12	\$20.12

8-inch meter	\$25.89	\$28.74	\$28.74	\$28.74	\$28.74
10-inch meter	\$33.66	\$37.36	\$37.36	\$37.36	\$37.36

C. For service from fire hydrants, the following rates shall apply to water service furnished from fire hydrants for municipal, construction, and temporary usages:

1. For the City, flushing sewers and street sweepers shall be charged on a monthly basis as follows:

Base rate	2013	2014	2015	2016	2017*
Flushing Sewer & Street Sweeping Charge	\$75.85	\$84.19	\$84.19	\$84.19	\$84.19

2. At the option of the City, a meter may be installed, at the applicant's expense, for service under this schedule. Applicants for service under this schedule must obtain specific authority from the City prior to taking any delivery of water and shall use only the hydrants designed by the City.

*Starting January 1, 2018, the base water service charge shall be adjusted based on a formula set forth in Merced Municipal Code Section 15.36.045. The new rates set forth above shall be implemented on January 1, 2013, with subsequent scheduled increases implemented on January first of each year.

Base Water Facilities Charge

Meter Size	2013	2014	2015	2016	2017*
1-inch meter	\$3,867	\$3,867	\$3,867	\$3,867	\$3,867
1-1/2 inch meter	\$7,734	\$7,734	\$7,734	\$7,734	\$7,734
2-inch meter	\$12,374	\$12,374	\$12,374	\$12,374	\$12,374
3-inch meter	\$24,749	\$24,749	\$24,749	\$24,749	\$24,749
4-inch meter	\$38,670	\$38,670	\$38,670	\$38,670	\$38,670
6-inch meter	\$77,340	\$77,340	\$77,340	\$77,340	\$77,340
8-inch meter	\$123,745	\$123,745	\$123,745	\$123,745	\$123,745
10-inch meter	\$193,351	\$193,351	\$193,351	\$193,351	\$193,351
12-inch meter	--	\$270,690	\$270,690	\$270,690	\$270,690

*Starting January 1, 2018, the base water service charge shall be adjusted based on a formula set forth in Merced Municipal Code Section 15.36.045. The new rates set forth above shall be implemented on January 1, 2013, with subsequent scheduled increases implemented on January first of each year.

Connection – Major Water Facilities

Each property owner who applies for connection of any building or premises to the City water system, or who applies for replacement of an existing water service connection with one of larger size, shall, prior to issuance of the permit for such connection or replacement, pay to the City a major water facilities charge, based upon the size of the water service required for such building or premises. Each quarter, the major water facilities charge shall be adjusted by an amount equal to the percent change in the All Urban Consumers Index, U.S. City Average (USCA),

as supplied by the Bureau of Labor Statistics. The amount of such major water facilities charge shall be computed as follows:

$$\text{Major Water Facility Charge} = \frac{\text{Current Quarter CPI (USCA)}}{184^*} \times \text{Basic Charge}$$

*Base year index (January 2004)

Base Water Facilities Charge

Service Size (inch)	Domestic	Fire*
1	\$3,867	---
1 1/2	\$7,734	---
2	\$12,374	---
3	\$24,749	\$1,021
4	\$38,670	\$1,595
6	\$77,340	\$3,189
8	\$123,745	\$5,103
10	\$193,351	\$7,973

*Applies to on-site fire services only.

In the case of replacement of an existing water service connection with one of larger size, credit shall be given against the major water facilities charge for the amount which was paid for the smaller connection, or would have paid therefore if this Section had been in effect at the time such smaller connection was applied for provided the service is actually removed from the system. All funds collected pursuant to this Section shall be deposited in the water fund. A portion of the

funds collected pursuant to this Section and deposited into the water fund may be utilized by the City to retrofit existing single-family residences with unmetered services existing prior to January 1, 1992 with water meters, as authorized by Section 15.32.040 of the Merced Municipal Code, until all unmetered services are retrofitted with water meters.

2. THE BASIS UPON WHICH THE AMOUNT OF THE PROPOSED WATER RATES AND WATER CAPITAL FACILITIES CHARGES WERE CALCULATED: The “cash needs” approach was used to establish the appropriate water rates. Water capital facilities charges are based upon the system buy-in method. In order to develop adequate revenues from a system of utility rates, the annual revenue requirements of the utilities must be determined. Under the “cash needs” approach, the basic revenue-requirement components include:

- Operating and maintenance (O&M) expenses;
- Debt service costs (principal and interest on utility-related debt instruments);
- Capital expenditures funded directly from current revenues or accruals on a pay-as-you-go basis;
- Reserves for future repairs and/or emergency; and
- Other elements such as interdepartmental expenses (cost allocation), in-lieu taxes, and interest earnings (considered as a credit to the expenses).

In order to ensure that the resulting water rates are fair and equitable, the revenue requirements were distributed among the customer classifications based on cost of service analyses.

3. REASONS FOR CHANGES IN WATER USER RATE AND FACILITIES CHARGES:

- Operating expenses have changed over recent years;
- Increased regulatory standards have led to escalating personnel and professional services costs;

- Funding reserves to help reduce rate shocks and to make funds available for emergency repairs and operations;
- Capital improvement project costs for existing system repair, upgrade, and rehabilitation, including infrastructure repair and replacement, water supply and metering;
- Backflow device installation for commercial accounts to prevent contamination of wells;
- One rate class cannot subsidize another; unmetered accounts, on average, use more water than metered accounts.

4. A PUBLIC HEARING ON THE PROPOSED CHANGES IN WATER USER RATES (DECREASE FOR METERED WATER SERVICE, INCREASE FOR NON-METERED WATER SERVICE) AND DECREASE IN WATER CAPITAL FACILITIES CHARGES WILL BE HELD ON NOVEMBER 5, 2012 AT 7:00 P.M. IN THE MERCED CITY COUNCIL CHAMBERS, 678 W. 18TH STREET, 2ND FLOOR, MERCED, CALIFORNIA 95340