



NOTICE OF PUBLIC HEARING FOR CONSIDERATION OF WATER RATE INCREASE AND LIFELINE PROGRAM MODIFICATIONS

NOTICE IS HEREBY GIVEN that on Tuesday, February 2, 2016, at 7 p.m. a public hearing to consider proposed Customer Charge increases, with a proposed effective date of February 8, 2016, will be held for all interested parties in the City of Brea Council Chambers, Plaza Level, 1 Civic Center Circle, Brea, CA 92821.

PUBLIC NOTICE REQUIREMENT

California State Law requires the mailing of notices (no less than 45 days in advance of a hearing) of proposed modifications to water rates.

EXPLANATION OF PROPOSED RATE ACTION

The City of Brea ("City") has adopted a water rate structure that includes the following components: 1) a flat monthly Customer Charge or Fixed Meter Charge and 2) a Water Commodity Adjustment (WCA). The flat monthly Customer Charge is based on water meter size and the Water Commodity Adjustment is volumetric and is billed based on the amount of water consumed during a billing period. Combined, these rates are intended to recover the cost of providing water service.

The current rate structure relies heavily on water consumption in order to recover the cost of providing water service. As a result, revenue increases when water consumption increases, and revenue decreases when water consumption decreases. The fixed costs incurred to serve customers, however, do not change accordingly when water consumption increases or decreases. This is because nearly 63% of the costs incurred to provide water service are substantially fixed and independent of the amount of water used because they are related to the operation and maintenance of the water utility. This creates financial volatility when water demand significantly fluctuates. In response to the statewide drought, the City is mandated by the State Water Resources Control Board to reduce water consumption by 24% or be subject to fines of \$10,000 per day. Thus far, Brea water customers are approaching the required state mandate, averaging approximately a 22% water reduction between June and October 2015. As a result of water conservation and the City's reliance on volumetric rates to recover costs, the amount of revenue being collected is no longer sufficient to recover fixed costs and maintain adequate investment in the water distribution system. Major repairs or investment in the system may need to be delayed or halted, thereby possibly diminishing the reliability of the water distribution system and increasing maintenance costs due to aging infrastructure. In order to properly maintain the water distribution system even during times of significant water conservation, the City is proposing to increase the Customer Charge component of its water rate structure.

The City will determine what revenue objective should be achieved from fixed meter charges and if this revenue objective should gradually increase over the next three fiscal years. The percentage of total revenue received from fixed charges are proposed at either 14%, 17%, or 20%. As the revenue goal from fixed charge increases, the consumption charges will invariably decrease. For example, a revenue objective of 20% fixed charges yields the "Maximum Proposed Charge" for Fixed Meter Charges and a "Minimum Proposed Charge" for Water Consumption. A revenue objective of 14% yields the "Minimum Proposed Charge" for Fixed Meter Charges and a "Maximum Proposed Charge" for Water Consumption. The City has posted the minimum and maximum charges that will be applied effective on or after February 8, 2016.

THE CITY IS ALSO PROPOSING THAT ON JULY 1, 2016 AND JULY 1, 2017 ALL CHARGES (BOTH THE FLAT MONTHLY CHARGE AND WATER COMMODITY CHARGE) WILL INCREASE UP TO 2.5%. RATES ARE EXCLUSIVE OF ANY PASS THROUGH COSTS THAT ARE GENERATED FROM THE INCREASED COST OF WHOLESALE WATER.

Proposed Customer Charge modifications are summarized below. These charges are billed on a per meter, per month basis.

Component 1: Flat Monthly Customer Charge (Fixed Cost)

| Meter Size | Current Customer Charge | Minimum Proposed Charge | Maximum Proposed Charge |
|-----------------|-------------------------|-------------------------|-------------------------|
| 5/8", 3/4" & 1" | \$9.66 | \$10.81 | \$15.16 |
| 1-1/2" | \$42.99 | \$34.66 | \$56.42 |
| 2" | \$73.52 | \$52.55 | \$87.36 |
| 3" | \$160.77 | \$109.20 | \$185.34 |
| 4" | \$282.90 | \$192.68 | \$329.74 |
| 6" | \$631.81 | \$392.45 | \$675.26 |
| 8" | \$1,120.31 | \$839.67 | \$1,448.82 |
| 10" | \$1,748.38 | \$1,257.09 | \$2,170.80 |
| 12" | \$2,446.23 | \$1,585.05 | \$2,738.01 |

Component 2: Water Commodity Charge

| Residential Tier | Units 1 unit = 100 c.f. | Current Charge | Minimum Proposed Charge | Maximum Proposed Charge |
|------------------|-------------------------------|-------------------|-------------------------------|-------------------------------|
| 1 | 1-10 | \$2.79 | \$2.95 | \$3.17 |
| 2 | 11-20 | \$3.92 | \$3.85 | \$4.21 |
| 3 | 21-30 | \$4.99 | \$5.08 | \$5.63 |
| 4 | 31+ | \$6.36 | \$5.95 | \$6.63 |

| Class | Current Charge | Minimum Proposed Charge | Maximum Proposed Charge |
|--------------------------|-------------------|-------------------------------|-------------------------------|
| Multi-Family Residential | \$3.51 | \$3.61 | \$3.93 |
| Non-Residential | \$3.51 | \$3.90 | \$4.27 |
| Greenbelt | \$3.51 | \$4.27 | \$4.70 |
| Outside Brea | \$4.26 | \$4.70 | \$5.04 |
| Brea Creek Golf Course | \$1.71 | \$2.22 | \$2.39 |
| Construction | \$5.27 | \$5.89 | \$6.57 |

Bill impacts related to the proposed rate action will vary by customer, depending on the customer's water meter size and how much water they use and conserve. A comparison of residential customers monthly bills based on proposed rates is also provided below:

| Water Usage 1 unit = 100 cubic feet | Current Bill (1" meter) | With Minimum Proposed Fixed Charges | With Mid-Range Proposed Fixed Charges | With Maximum Proposed Fixed Charges |
|--|-------------------------|--|--|--|
| 2 units | \$15.24 | \$17.15 | \$19.25 | \$21.06 |
| 12 units (average) | \$45.40 | \$50.93 | \$51.69 | \$52.36 |
| 25 units | \$101.71 | \$112.76 | \$110.50 | \$108.56 |
| 45 units | \$222.06 | \$240.36 | \$231.05 | \$223.21 |

PROTEST OF PROPOSED RATE ACTION

To protest the proposed rate action, written protests must be received by the close of the public hearing on February 2, 2016. Written protests must be submitted to the City Clerk's Office, 3rd floor, 1 Civic Center Circle, Brea CA 92821 by mail or hand delivery. Protests will be accepted via electronic mail (e-mail) at CityClerksGroup@cityofbrea.net during this time frame. Each protest must identify the affected property (by assessor's parcel number or street address), indicate that the protest is related to the proposed Customer Charge increases and include the signature/name of the record property owner or tenant, as applicable. Protests received by telephone, all social media sites including but not limited to Facebook or Twitter, Nextdoor, or Tell Us will NOT be accepted. All interested parties are invited to attend the public hearing and present written protests and/or written/oral comments on the proposed rate action. However, oral comments at the public hearing will not qualify as a formal protest of the proposed rate action unless accompanied by a written protest setting forth the required information. If protests are received from a majority of the affected parcels, the proposed rate action will not be implemented.

If you have any questions regarding the proposed rate increases, or have questions on how to submit a written protest, please contact the Administrative Services Department at 714-990-7676.

The City of Brea wishes to make all of its public meetings and hearings accessible to all members of the public. The City prohibits discrimination on the basis of race, color, or national origin in any program or activity receiving Federal financial assistance. If requested, the Notice and supporting materials will be made available in appropriate alternative formats to persons with a disability, as required by Section 202 of the Americans with Disabilities Act of 1990 (42 U.S.C. Section 12132), and the federal rules and regulations adopted in implementation thereof. Any person who requires a disability-related modification or accommodation, including auxiliary aids or services, in order to participate in the public meeting may request such modification, accommodation, aid or service by contacting City Clerk's Office either in person at 1 Civic Center Circle, 3rd Floor, Brea, California, or by telephone at 714-990-7756, no later than 10:00 a.m. on the day preceding the scheduled public hearing.

HOW TO SAVE ON YOUR WATER UTILITY BILL

Cost-saving programs and recommendations are available to reduce your water utility bill. For detailed information, visit cityofbrea.net/water or ocwatersmart.com.

NOTICE OF LIFELINE PROGRAM MODIFICATIONS

NOTICE IS HEREBY GIVEN that on February 2, 2016, the City proposes to make modifications to its LifeLine Program. The City's LifeLine program offers a 20% discount on both the fixed meter charges as well as consumption charges within Tiers 1 and 2 for qualified customers. Proposed changes include a reduced discount of 10% to Tier 2 and added 5% discount to Tier 3. If program changes are adopted, Lifeline rates will be effective on or after February 8, 2016.