

# PROPOSITION 218 NOTICE



**The Seal Beach City Council (City) will conduct a public hearing on Monday, February 12, 2024, at 7 p.m. to consider adopting adjustments to the City's current water and wastewater rates and charges ("Proposed Rate Adjustment").**

## **Questions About This Notice and Proposed Rates?**

If you have questions about this Notice, the proposed rates and charges, or your service, the City is hosting an open house with experts available to assist you in person. Attendees are free to arrive and depart at their convenience.

**What:** Water and Wastewater Rate Study Open House

**When:** 6-8 p.m. Thursday, January 18, 2024

**Where:** City of Seal Beach, Council Chambers, 211 Eighth Street, Seal Beach, CA 90740

**Why Am I Receiving This Notice?** You are receiving this notice in accordance with Article XIID, Section 6 of the California Constitution ("Proposition 218") because you are a property owner of record of one or more of the water and wastewater connections located within the City's service area. California's Proposition 218 law requires water/wastewater service providers to notify property owners so that they can participate in a public hearing when proposing increases to water and wastewater rates. Any owner of a property that receives water service ("water customer") may submit a written protest against the Proposed Rate Adjustments for the water service charges. Any owner of a property that receives wastewater service (a "wastewater customer") may submit a written protest against the Proposed Rate Adjustments for the wastewater service charges. If a parcel has more than one water customer and/or wastewater customer, only one written protest against the Proposed Rate Adjustments for the water service charges or wastewater service charges, as applicable, will be counted. Written protests may be delivered to the City Clerk at the public hearing, prior to the end of the public hearing. Written protests also may be mailed or personally delivered to the City Clerk at City Hall, 211 Eighth Street, Seal Beach, CA 90740, and must be received by the City Clerk before 5:00 p.m. on February 12, 2024. If more than 50% of the record owners oppose the Proposed Rate Adjustment(s) for water and wastewater, as applicable, the City shall not increase rates for such service.

This serves as notice that the Seal Beach City Council will conduct a Public Hearing at the time, date, and location identified in this Notice to consider proposed adjustments to the City's water and wastewater rates and charges. All those interested are invited to appear at the time and place of the Public Hearing to give oral or written testimony. The City Council will hear and consider public input regarding the proposed rate adjustments at the Public Hearing

on Monday, February 12, 2024 at 7 p.m., and determine whether to adopt the proposed rates. The City Council cannot increase rates beyond the amounts listed in this Notice. If adopted, proposed water and wastewater rate adjustments would become effective on April 1, 2024, with annual rate adjustments effective on January 1 of each year through 2028.

## **Proposed Water and Wastewater Rates and Charges**

The City's water and wastewater utilities' finances have been negatively impacted by recent inflation, lower water use, increase in wholesale water costs, and aging infrastructure. Utility systems must keep up with rising costs and be able to implement critical capital projects that are mandated or necessary. To address these challenges, the City proposes increasing the rates for water and wastewater services.

## **How did the City Determine the Proposed Rates and Charges?**

The City of Seal Beach is proposing to increase the rates for its water and wastewater services based on its most recent Financial Plan and Rate Study conducted by an independent rates consultant. The City hired Raftelis Financial Consultants, Inc., a consulting firm with expertise in water and wastewater rate studies to evaluate the City's costs of providing water and wastewater services. The rate study steps include data evaluation, technical analyses, deriving customer rates, and understanding rate adjustment impacts on customers.

The proposed rates are determined based on the projected revenue needed to fund:

- **Operations and Maintenance**, such as labor, supplies, chemicals, electricity, etc.
- **Capital Improvements**, such as large projects to repair/replace pipes and equipment.
- **Debt Service** to secure and pay back loans.
- **Reserves** to meet minimum debt requirements and fund emergency or unplanned expenses.

The financial analyses and rate models are documented in the Financial Plan and Rate Study Report with supporting data of how proposed rates were developed. The proposed rates over the next five years are listed in the tables contained in this Notice.



The full report is available online at [2023utilityratestudy.sealbeachca.gov](https://2023utilityratestudy.sealbeachca.gov) and for review at the City Clerk’s office by appointment only. Scan the code to be taken directly to the rate study website.

**Why Are Rate Adjustments Needed?** The Seal Beach City Council will consider rate increases due to inflation and rising costs of operations, maintenance, capital improvements, and environmental and regulatory compliance. These critical services are funded in large part by the rates customers pay. Per State law, revenues generated from rate increases must only be used to fund the costs to provide the service including operations and maintenance, capital improvements, the cost of debt to finance capital equipment and maintaining cash and emergency reserves.

Since the City’s previous rate study was started in 2019, several factors affecting the financial health of the water and wastewater utilities include:

- High inflation, affecting the cost of materials and labor. Over the past five years, inflation has risen nearly 17%.

- Lower water use due to water conservation and heavy rain means decreased revenue to cover costs that are primarily fixed. It costs the City more each year to buy and pump groundwater from the Orange County Water District and imported water from northern California and the Colorado River through the Municipal Water District of Orange County.
- The City’s infrastructure is aging and in need of repairs and replacement.
- Critical infrastructure investment is necessary to keep our systems functioning reliably.

**What Happens If We Do Not Raise Rates?** Current rates are not sufficient to sustain the utility enterprise funds. Investment in critical infrastructure is currently being deferred that could place our aging system in a vulnerable status. Deferring until later will result in higher costs and possible increased regulatory oversight and fines by permitting agencies.

**Proposed Water Rates** Customer rates and charges will differ depending on the type of account (residential, commercial, industrial), meter size, and water use. All customers pay a monthly service charge and a consumption (volumetric) rate. The private fire charges are only applicable to those commercial accounts with private fire protection (this does not include single family homes).

**TABLE 1: Proposed Monthly Water 5-Year Fixed Charges**

Table 1 shows the proposed monthly water service charge by meter size over the next five years. Most city water customers have a 5/8-inch metered connection. **NOTE:** Rates are shown monthly.

All Customers	Current*	Effective 4/1/2024	Effective 1/1/2025	Effective 1/1/2026	Effective 1/1/2027	Effective 1/1/2028
5/8"	\$24.25	\$32.25	\$40.32	\$47.17	\$52.83	\$58.11
3/4"	\$24.25	\$32.25	\$40.32	\$47.17	\$52.83	\$58.11
1"	\$36.07	\$47.97	\$59.97	\$70.16	\$78.58	\$86.44
1.5"	\$69.88	\$92.93	\$116.17	\$135.92	\$152.23	\$167.45
2"	\$105.71	\$140.59	\$175.73	\$205.61	\$230.28	\$253.31
3"	\$188.08	\$250.15	\$312.68	\$365.84	\$409.74	\$450.71
4"	\$312.94	\$416.20	\$520.25	\$608.70	\$681.74	\$749.92
6"	\$616.21	\$819.56	\$1,024.45	\$1,198.61	\$1,342.44	\$1,476.68
8"	\$985.61	\$1,310.86	\$1,638.58	\$1,917.13	\$2,147.19	\$2,361.91
10"	\$1,410.78	\$1,876.34	\$2,345.42	\$2,744.14	\$3,073.44	\$3,380.78
6" Leisure World	\$616.21	\$819.56	\$1,024.45	\$1,198.61	\$1,342.44	\$1,476.68
2" Aquatic Park	\$159.53	\$212.17	\$265.21	\$310.30	\$347.53	\$382.28
<b>Private Fire Charges</b>						
4"	\$25.20	\$33.51	\$41.89	\$49.01	\$54.89	\$60.38
6"	\$73.18	\$97.33	\$121.66	\$142.34	\$159.43	\$175.37
8"	\$155.95	\$207.41	\$259.27	\$303.34	\$339.74	\$373.72
10"	\$280.46	\$373.01	\$466.26	\$545.52	\$610.98	\$672.08

**TABLE 2: Proposed Monthly Water 5-Year Volumetric Charges**

Table 2 shows current and proposed water volumetric rates for Single Family Residential (SFR) and All Other Classes, including Multi-Family Residential (MFR), Commercial, Industrial, and Irrigation customers. The volumetric water use rate is in dollars per hundred cubic feet (\$/hcf). One hundred cubic feet is equal to 748 gallons. **NOTE:** Rates are shown monthly.

	Current*	Effective 4/1/2024	Effective 1/1/2025	Effective 1/1/2026	Effective 1/2/2027	Effective 1/1/2028
<b>Volumetric Rates (\$ /hcf), Single Family Residential</b>						
Tier 1	\$3.49	\$4.64	\$5.80	\$6.79	\$7.60	\$8.36
Tier 2	\$3.69	\$4.91	\$6.13	\$7.18	\$8.04	\$8.84
<b>Multi-Family Residential</b>						
Tier 1	\$3.49	\$4.64	\$5.80	\$6.79	\$7.60	\$8.36
Tier 2	\$3.65	\$4.85	\$6.07	\$7.10	\$7.95	\$8.75
<b>Leisure World</b>						
Tier 1	\$3.49	\$4.64	\$5.80	\$6.79	\$7.60	\$8.36
Tier 2	\$3.65	\$4.85	\$6.07	\$7.10	\$7.95	\$8.75
<b>Commercial</b>	\$3.49	\$4.64	\$5.80	\$6.79	\$7.60	\$8.36
<b>Irrigation</b>	\$3.57	\$4.75	\$5.94	\$6.94	\$7.78	\$8.56
<b>City</b>	\$3.53	\$4.69	\$5.87	\$6.87	\$7.69	\$8.46
<b>Aquatic Park</b>	\$3.95	\$5.25	\$6.57	\$7.68	\$8.61	\$9.47

**Pass-Through Charges** The proposed rates anticipate costs continuing to rise due to inflation and higher raw water costs. The City of Seal Beach purchases water from wholesale agencies. It has no control over the charges from the wholesale agencies. The City has estimated future wholesale rates, however, if wholesale rates are higher than predicted, the City will pass through the increase in wholesale water purchase costs for the next five years. The pass-through amount will not exceed the increase in cost. The pass-through will be calculated as the increase in wholesale water purchase costs divided by annual water use. Notice of any adjustment to the pass-through charge will be given not less than 30 days before the effective date of the adjustment.

**TABLE 3: Proposed Monthly 5-Year Wastewater Rates**

Table 3 shows the proposed wastewater charges and rates. As with the water rate structure, your wastewater bill includes two components – a fixed charge based on the size of your water meter and a volumetric rate per unit of water discharged to the sewer. Single Family Residential does not have a volumetric charge. **NOTE:** Rates are shown monthly.

Fixed Charges	Current*	Effective 4/1/2024	Effective 1/1/2025	Effective 1/1/2026	Effective 1/1/2027	Effective 1/1/2028
Single Family Residential	\$24.02	\$32.43	\$40.21	\$47.85	\$54.07	\$57.85
Multi-Family Residential	\$0.61	\$0.82	\$1.02	\$1.22	\$1.37	\$1.47
Commercial	\$0.61	\$0.82	\$1.02	\$1.22	\$1.37	\$1.47
City	\$0.61	\$0.82	\$1.02	\$1.22	\$1.37	\$1.47
Leisure World - Fixed Charge	\$0.61	\$0.82	\$1.02	\$1.22	\$1.37	\$1.47
Leisure World - Flat Rate	\$1,099.03	\$1,483.69	\$1,839.78	\$2,189.33	\$2,473.95	\$2,647.12
Aquatic Park - Sewer Service Equity Charge	\$498.75	\$673.31	\$834.91	\$993.54	\$1,122.70	\$1,201.29
Aquatic Park - Sewer Capital Equity Charge	\$661.00	\$892.35	\$1,106.51	\$1,316.75	\$1,487.93	\$1,592.08
Navy - Sewer Meter	\$0.61	\$0.82	\$1.02	\$1.22	\$1.37	\$1.47

**TABLE 3: Continued**

Fixed Charges	Current*	Effective 4/1/2024	Effective 1/1/2025	Effective 1/1/2026	Effective 1/1/2027	Effective 1/1/2028
<b>Volumetric Rates (\$ / hcf)</b>						
Multi-Family Residential	\$4.00	\$5.40	\$6.70	\$7.97	\$9.00	\$9.63
Commercial	\$4.00	\$5.40	\$6.70	\$7.97	\$9.00	\$9.63
City	\$4.00	\$5.40	\$6.70	\$7.97	\$9.00	\$9.63
Leisure World	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Navy- Sewer Meter	\$0.24	\$0.32	\$0.40	\$0.48	\$0.54	\$0.58

**How Do I Protest the Proposed Rate Adjustments?**

**You have the right to protest the proposed rate increases.** A written protest must include all of the following to be considered in determining whether there is a majority protest:

1. Clearly stated opposition to the Proposed Rate Adjustments for the water service charges, wastewater service charges, or both, as applicable;
2. Name of the record property owner or water customer who is submitting the protest;
3. Identification by parcel number, street address or utility account number of the property for which the protest is made; and
4. Signature and legibly printed name of the record property owner or water customer who is submitting the protest.

Oral comments at the public hearing will not be counted in the determination of a majority protest.

**Written protests may be submitted by mail or in person during the public hearing or prior to the conclusion of the public hearing on Monday, February 12, 2024, addressed to: Seal Beach City Clerk, 211 Eighth Street, Seal Beach, CA 90740.**

Only one written protest against the water rate adjustment per affected property will be counted. Only one written protest against the wastewater rate adjustment per affected property will be counted. Telephone, email, and fax protests will not be accepted. Written protests must be received by the City Clerk prior to the conclusion of the public hearing on Monday, February 12, 2024. The Clerk will not accept or consider any protest received after the conclusion of the Public Hearing.

At the public hearing, the City Council will accept and consider all written protests and hear all oral comments on the Proposed Changes.

A majority protest against the Proposed Rate Adjustments for the water service charges will exist if, at the end of the public hearing, there are written protests submitted that represent a majority of the parcels that receive water service. A majority protest against the Proposed Rate Adjustments for the wastewater service charges will exist if, at the end of the public hearing, there are written protests submitted that represent a majority of the parcels that receive wastewater services. The City Council cannot adopt the Proposed Rate Adjustments to the water service charges or the wastewater charges if a majority protest exists. No late postmarks will be accepted, and emailed, faxed or photocopied protests will not be counted.

If adopted, the proposed water and wastewater rates will take effect beginning April 1, 2024, with annual rate adjustments effective on January 1 of each year through 2028.

The reasons for the rate adjustments, the basis upon which they were calculated, and the amount of the proposed rates are described in more detail in the Financial Plan and Rate Study Report, which is on file with the City Clerk and available on the City website at [www.2023utilityratestudy.sealbeachca.gov](http://www.2023utilityratestudy.sealbeachca.gov).

**Statute of Limitations for Challenging Proposed Rates**

Please note that pursuant to California Government section 53759, there is a 120-day statute of limitations judicially challenging all rates set forth in this Notice that runs from the effective date of the resolution approving these rates.

*\*Rates shown will be effective 1/1/2024 were approved through the last rates study public process.*

