

**City of Yuba City  
Staff Report**

**Date:** July 1, 2008  
**To:** Honorable Mayor & Members of the City Council  
**From:** Utilities Department  
**Presented by:** William P. Lewis, Director of Utilities

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**Summary**

**Subject:** Hillcrest Water System (HWS) conversion to surface water, setting a rate and protest hearing

**Recommendation:**

- a. Accept and adopt the HWS Ad Hoc Committee report and all the policies and recommendations stated in that report
- b. Adopt a Resolution approving guidelines for the submission and tabulation of protests in connection with the rate hearing
- c. Set the protest hearing for Monday August 18, 2008 at 7:00 pm at Veterans Memorial Hall
- d. Approve a Notice of Proposition 218 Protest hearing

**Fiscal Impact:** If approved by the Council and rate payers, a rate surcharge for costs associated with providing surface water to HWS customers would be added to monthly bills one month after customers begin to receive surface water.

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**Background:**

Yuba City purchased the Hillcrest Water Company in May 2001. At that time the HWS consisted of five regions providing treated groundwater to their customers. Subsequent to the purchase, two of the regions converted to City surface water. It is now recommended that the remaining three regions have the opportunity to choose to convert to City surface water.

Attached to this report is a more detailed description of the water quality and water supply issues facing HWS customers.

October 16, 2007 the City Council formed an Ad Hoc Committee to study and make recommendations to the full Council on issues related to the HWS. The HWS Ad Hoc Committee consists of Mayor Rory Ramirez and Councilmember Kash Gill. The HWS Ad Hoc Committee then created an Advisory Council consisting of fifteen citizens. The HWS Ad Hoc Committee and Advisory Council met eleven times between November 13, 2007 and January 10, 2008. Attached is the HWS Ad Hoc Committee report and recommendations to the City Council.

## **Discussion:**

In its report, the HWS Ad Hoc Committee makes several recommendations to the full City Council including:

- Customers in Regions 1, 2, and 3 be given the option to upgrade the HWS by converting to City surface water.
- Annexation not be required for those existing HWS customers not currently located within city limits
- The connection fee (capital costs) would be added as a water rate surcharge not to exceed \$19.80 per month for customers without a meter and \$17.00 for those with a meter. Customers would first be required to pay the surcharge one month after they begin to receive surface water. Thus, implementation of the surcharge may be staggered as customers are converted to surface water in groups depending on construction phasing.
- Residents on private wells would be allowed to connect at the above rates if they do so within 6 months of availability of surface water to their home.

Staff concurs with these and the other recommendations of the HWS Ad Hoc Committee.

Attached is a proposed Resolution that adopts the attached guidelines for the submission and tabulation of protests. The guidelines describe who can protest, what information must be provided on the protest, how protests are tabulated, and what constitutes a majority protest. The guidelines are recommended by the City's outside Proposition 218 Counsel. These guidelines clarify the "rules of the road" as many of these issues are not yet addressed in state law. The rules proposed here are commonly adopted by local governments for the purpose of complying with Proposition 218.

After the hearing is concluded, the City Clerk will count the rate surcharge protests. If it is obvious that insufficient protests have been submitted the Council may direct staff to make the appropriate Ordinance changes and bring the Ordinance back for adoption without requiring a full count of protests. If it is possible that there may be sufficient protests the Council should direct the City Clerk to conduct a full count and report the results to the Council after a recess or at another date and time chosen by the Council.

## **Fiscal Impact:**

The HWS Ad Hoc Committee recommends that only directly attributable water distribution costs be charged to the existing HWS customers. They recommend that the plant capacity charge and over-sizing costs not be passed on to these existing customers. Based on current construction estimates, the cost for a customer to convert from the HWS to City surface water is \$3,570 including a water meter, or \$3,070 without a water meter. Based on the low-interest California State Revolving Fund loan, if customers choose to pay the costs over time, the monthly fee will be \$19.80 or \$17.00 per month, respectively. The City will also allow customers who wish to do so to pay the entire amount "up front." The HWS Ad Hoc Committee is recommending that the rate setting and Proposition 218 protest process begin immediately.

If the groundwater customers approve the proposed rate surcharge, staff will complete the design of required improvements and bid the projects. Upon establishment of construction costs, the actual water rate surcharge will be established, but the rates will not exceed the amounts quoted above without the benefit of another Proposition 218 approval process.

If the rate surcharge is approved by the current groundwater customers, the existing debt service associated with the acquisition of Hillcrest Water Company will be rolled into the surface water service rates. Current debt service is approximately \$200,000 per year; final payment is due in 2026. These costs can be absorbed into the surface water rate structure through savings associated with consolidation of the HWS and the City surface water system.

**Schedule:**

If the City Council adopts the HWS Ad Hoc Committee recommendations, staff will mail the attached protest hearing notice and rate schedule to HWS customers. The protest hearing can not take place any sooner than 45 days after the mailing. It is recommended that the hearing be scheduled for Monday August 18, 2008 at 7:00 PM at the Veterans Memorial Hall. At the protest hearing customers may provide testimony and submit their protests. Protests may also be mailed or delivered to the City Clerk. If more than fifty percent of the affected customers protest in writing before the close of the public hearing, the rate surcharge will fail and not be implemented. If it is approved, staff will complete the design of required infrastructure, go out to bid and make the appropriate changes to the rate ordinance for formal adoption by the Council. Some customers could begin to receive surface water immediately due to existing water system inter-ties. To serve the majority of HWS customers, a water pipeline and storage tank must be constructed. These customers would begin to receive surface water by late 2010.

**Alternatives:**

Do not adopt the HWS Ad Hoc Committee report and recommendations and provide direction to staff.

**Recommendation:**

- a. Accept and adopt the HWS Ad Hoc Committee report and all the policies and recommendations stated in that report
- b. Adopt a Resolution for approving guidelines for the submission and tabulation of protests in connection with the rate hearing
- c. Set the protest hearing for Monday August 18, 2008 at 7:00 pm at the Veterans Memorial Hall
- d. Approve a Notice of Proposition 218 Protest hearing

Prepared By:



William P. Lewis  
Utilities Director

Submitted By:



Steven R. Jepsen  
City Manager

Reviewed By:

Finance

  
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City Attorney

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**RESOLUTION NO. 08-\_\_\_\_\_**

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF YUBA CITY  
ADOPTING GUIDELINES FOR THE SUBMISSION AND TABULATION OF  
PROTESTS IN CONNECTION WITH RATE HEARINGS CONDUCTED  
PURSUANT TO ARTICLE XIIID, SECTION 6 OF THE CALIFORNIA  
CONSTITUTION**

BE IT RESOLVED AND ORDERED BY THE CITY COUNCIL OF THE CITY OF YUBA CITY AS FOLLOWS

**WHEREAS**, Article XIIID, Section 6 of the California Constitution requires the Council to consider written protests to certain proposed increases to utility rates; and

**WHEREAS**, this constitutional provision does not offer specific guidance as to who may submit protests, how written protests are to be submitted, or how the City is to tabulate the protests.

**NOW, THEREFORE, BE IT RESOLVED** by the City Council of the City of Yuba City that the City Council hereby adopts the guidelines for the submission and tabulation of protests attached hereto as Exhibit "A" and incorporated herein by reference.

**PASSED, APPROVED AND ADOPTED** by the City Council of the City of Yuba at a regular meeting held on the 1<sup>ST</sup> day of July 2008.

AYES:

NOES:

ABSENT:

ABSTAIN:

\_\_\_\_\_  
Rory Ramirez, Mayor

ATTEST:

\_\_\_\_\_  
Terrel Locke, City Clerk

## **Exhibit A**

### **City of Yuba City**

#### **GUIDELINES FOR THE SUBMISSION AND TABULATION OF PROTESTS**

Where notice of a public hearing with respect to a utility rate increase has been given by the City pursuant to Article XIID, Section 6 of the California Constitution, the following shall apply:

#### **Submission of Protests**

1. Any property owner or utility customer may submit an original written protest to the City Clerk, either by delivery to the City Clerk's Office, 1201 Civic Center Blvd, Yuba City CA 95993 or by submitting the protest at the public hearing. Protests must be received by the end of the public hearing. No postmarks will be accepted.
2. Each protest must identify the affected property (by assessor's parcel number or street address) and include the signature of the record property owner or utility customer. Email or facsimile protests cannot be accepted. Although oral comments at the public hearing will not qualify as a formal protest unless accompanied by a written protest, the City Council welcomes input from the community during the public hearing on the proposed fees.
3. If a parcel served by the City is owned by more than one record owner or more than one name appears on the City's records as the customer for the property, or the customer is not the record owner, each owner or customer may submit a protest, but only one protest will be counted per parcel and any one protest submitted in accordance with these rules will be sufficient to count as a protest for that property
4. In order to be valid, a protest must bear the original signature of the record owner or customer of record with respect to the property identified on the protest. Protests not bearing the original signature of a record owner or customer shall not be counted. Protests which have been altered by someone other than the person who signed them shall not be counted.
5. Any person who submits a protest may withdraw it by submitting to the City Clerk a written request that the protest be withdrawn. The withdrawal of a protest shall contain sufficient information to identify the affected parcel and the name of the record owner or record customer who submitted both the protest and the request that it be withdrawn.
6. A fee protest proceeding is not an election.
7. To ensure transparency and accountability in the fee protest tabulation, protests shall constitute disclosable public records from and after the close of the public hearing. Records shall be maintained for three years and then may be destroyed.

#### **Tabulation of Protests**

1. The City Clerk, or designee, shall determine the validity of all protests. The City Clerk shall not accept as valid any protest if s/he determines that any of the following conditions exist:
  - a. The protest does not identify a property served by the City.

- b. The protest does not bear an original signature of a record owner of the parcel identified on the protest or a record customer with respect to the parcel identified on the protest.
  - c. The protest does not state its opposition to the proposed fees.
  - d. The protest has been altered in any way by someone other than the person who signed it.
  - e. The protest was not received by the City Clerk before the close of the public hearing on the proposed fees.
  - f. A request to withdraw the protest is received prior to the close of the public hearing on the proposed fees.
  - g. The protest is dated prior to the date of mailing of the notices of hearing on the proposed fees.
2. The City Clerk's decision that a protest is not valid shall constitute a final action of the City and shall not be subject to any internal appeal.
3. A majority protest exists if written protests are timely submitted and not withdrawn by the record owners of, or customers with respect to, a majority (50% plus one) of the properties subject to the proposed fee.
4. At the conclusion of the public hearing, the City Clerk shall count all protests received, including those received during the public hearing, and shall report the results to the City Council upon completion. If review of the protests received demonstrates that the number received is manifestly less than one-half of the parcels served by the City with respect to the fee which is the subject of the protest, then the City Clerk may advise the Council of the absence of a majority protest without determining the validity of all protests.
5. If, at the conclusion of the public hearing, the Clerk determines that s/he will require additional time to count the protests, s/he shall so advise the Council, which may adjourn the meeting to allow the count to be completed on another day or days. If so, the Council shall declare the time and place of the count, which shall be conducted in a place where interested members of the public may observe the counting, and the Council shall declare the time at which its meeting shall be resumed to receive and act on the report of the Clerk.

# **Notice of Proposition 218 Protest Public Hearing Proposed Conversion to Surface Water Surcharge**

The City of Yuba City is proposing to convert all existing Hillcrest Water System (Groundwater) customers in Regions 1, 2 and 3<sup>1</sup> to City surface water. Notice is hereby given that a Proposition 218 Protest public hearing will be held by the City of Yuba City City Council to consider a proposed water rate surcharge to cover the costs associated with the conversion to City surface water.

The public hearing will be held on Monday August 18, 2008, at 7:00 pm at the Veterans Memorial Hall 1425 Veterans Memorial Circle, Yuba City, CA. During the Proposition 218 protest hearing, the City Council will hear and consider any objections to the proposed water rate surcharge.

This notice is being sent to existing HWS customers who currently receive groundwater service from the HWS; other City customers are served with, and pay for, City surface (river) water and are not affected by this proposal.

The proposed rates are based upon the estimated cost to build and expand the City surface water system for HWS customers to have the option to convert to City surface water. Only those costs directly attributable to HWS customers in Regions 1, 2, and 3 are included in the proposed water rate surcharge. Costs for City surface water treatment plant capacity and over-sizing of pipelines, reservoirs and pump stations for future development are not included in the estimated cost; these costs will be funded through new development impact fees or from city-wide surface water rates.

Major factors requiring the City to implement the proposed water rate surcharges are:

- Changes in Federal EPA rules requiring additional removal of naturally occurring arsenic from water served to existing HWS customers
- Nitrate levels in the groundwater the HWS presently provides to its customers in regions 2 and 3 exceed allowable standards and it is cheaper to convert to City surface water than to treat HWS groundwater for nitrates
- HWS water supplies are not adequate to serve peak water demands.
- The cost to build pipes, tanks and pumps to deliver City surface water to groundwater customers in Regions 1, 2 and 3.

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<sup>1</sup> You are receiving this notice because your property is in one of these Regions. A map of the regions is available for public inspection in the office of the City Clerk and may be viewed on-line at <http://www.yubacity.net/wga/index.html>

## Proposed Monthly Water Rate Surcharge

The following represents the proposed monthly surcharge fee:

Customers with an existing water meter -	\$17.00
Customers without an existing water meter -	\$19.80 <sup>2</sup>
Customers who have already paid surface water impact fee-	\$0.00

- Surcharge Fee would be paid off in 20 years
- Surcharge Fee for this purpose would not increase due to inflation or for other reasons, once the project is completed, the final construction, design and construction management cost will be used to determine fees and fees will be fixed for 20 years. Fees will not exceed the maximums stated in this notice.
- Customers may choose to pay a one-time surcharge fee not to exceed \$3,570 including water meter, or \$3,070 if customer already has a water meter. Customers may pay off the balance of the surcharge fee at any time.
- In addition, customers will also be required to pay water usage costs in effect at the time of billing. Current water rate is \$1.0851 per hundred cubic feet (hcf); 16 hcf minimum per month (\$17.36 minimum. Actual bill depends on water used).

The HWS customers would not pay the proposed surcharge fee until one month after City surface water is delivered to his or her home.

## Protest

You may submit a written protest against the proposed water rate surcharge with the City of Yuba City before the close of the public comment portion of the public hearing on August 18, 2008 at 7:00 p.m. If written protests against the proposed water rate surcharge are filed by the owners or customers with respect to a majority of the parcels to which the proposed surcharge fees apply, the fees will not be imposed. **Only one protest will be counted per parcel.**

A written protest must contain your name, date, mailing address and a description of the parcel or parcels which you own or for which you are the water customer (i.e., either a street address or an assessor's parcel number) and the protest must be signed by the property owner or customer. Protests may be mailed to or dropped off at:

City of Yuba City  
Proposed Water Rate Increase Protest  
City Clerk  
1201 Civic Center Blvd  
Yuba City, CA 95993

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<sup>2</sup> The cost of a water meter and the cost to install it will be paid off over time at \$2.80 per month, which is why these customers will pay more than those who have already paid for water meters.

## **Detailed Background:**

In May 2001 Yuba City purchased the Hillcrest Water Company. At that time the groundwater used to serve Regions 1, 2, 3 and 4 met all primary water standards (i.e., major state and federal water quality rules), but the water used to serve Region 5 (Tierra Buena) had more nitrate in it than the rules allowed. The system consisted of 16 wells and three treatment plants. Since May 2001, property owners in Regions 4 (Darrough Tract) and 5 approved assessments (charges collected on the property tax bill) to allow the City to convert service to those areas from the HWS to City surface water. The remaining three regions consist of approximately 4,000 homes and businesses and are still served by the HWS.

### **ARSENIC TREATMENT**

Region 1 is located on the east side of Highway 99 south of Franklin, Region 2 and 3 are located on the west side of Highway 99 along Walton Avenue as shown on the attached map. Region 1 consists of 2 primary wells at Treatment Plant 1 and 2 back-up wells used to provide additional water pressure during fires and other emergencies. Region 2 and 3 piping is tied together and operated as a single area. These areas consist of 3 wells for plants 2 and 3, one primary well (#14) without treatment, and 1 back-up well.

When the City bought the Hillcrest Water Company, the Federal Environmental Protection Agency and California Department of Public Health were evaluating the existing standards for removal of naturally occurring arsenic from groundwater, an issue affecting water utilities throughout California and especially in the Central Valley. The Federal EPA subsequently lowered the arsenic standard from 50 parts per billion to 10 parts per billion; California has not yet adopted a standard, but could adopt an even lower standard in the future. For now, Yuba City must meet the 10 parts per billion standard.

The Federal standard requires water utilities to monitor water supplies for arsenic quarterly for one year beginning no later than January 2007. Yuba City began its monitoring program in 2005, and determined that the HWS cannot meet the 10 parts per billion arsenic standards without upgrading its water treatment plants.

The Utilities Department then tested arsenic treatment processes by adding chemicals that allow Plants 1 and 2 to filter out arsenic; the City rebuilt Plant 3 to treat and filter arsenic, as well. These improvements have resulted in treated water that currently meets the Federal arsenic rule. The City's procedures to treat for arsenic, however, have not been permitted by the California Department of Public Health as the law requires, and these changes are considered a temporary fix. This temporary solution has also reduced plant capacity by approximately 20 percent, led to several brown water incidents, and increased the HWS operating costs. The tanks in the treatment plants are not designed for the chemicals used to treat for arsenic and either the tanks or the arsenic treatment program must be replaced.

Natural arsenic concentrations in the groundwater used to serve HWS Region 1 are lower than those in the water used to serve HWS Regions 2 and 3 and the interim treatment process has been more successful, but is still considered to be a temporary

solution. Capacity has been decreased in the HWS Region 1 plant as a result of arsenic treatment, just as the HWS lost capacity in Plants 2 and 3.

### **REGION 2/3 NITRATE ISSUES**

In the Spring of 2007 Well No. 14, which serves HWS Regions 2 and 3, produced water which contained higher levels of nitrates permitted by state and federal rules. Historically this well has provided summer water supply (the season of highest water use) without requiring the water to be filtered. Because there was not enough groundwater to meet summer water demand in 2007, the City converted approximately 800 homes from the HWS to City surface water. If the City had not done so, Well 14 would have remained in service and the City would have been required to mail quarterly letters to all HWS Region 2 and Region 3 customers warning them that high nitrate levels created health risks for infants, pregnant women and people with impaired immune systems. Excessive nitrates have immediate health impacts unlike chemicals like arsenic, which have health consequences over the long term. The water produced by Well 14 also exceeds the arsenic standard and there are no facilities in place to treat the water from that well other than chlorination, which does not lower arsenic to the 10 parts per billion standard required by the Federal EPA regulations. Converting to City surface water allowed the City to avoid serving water with excess nitrates to HWS customers. Four inter-ties were opened to allow City surface water to flow into HWS Regions 2 and 3. The inter-ties cannot serve the entire area and therefore only 800 houses were converted to City surface water in 2007. Approximately 2 million gallons per day of City surface water was provided to these HWS customers.

### **PUBLIC OUTREACH AND HWS AD HOC COMMITTEE**

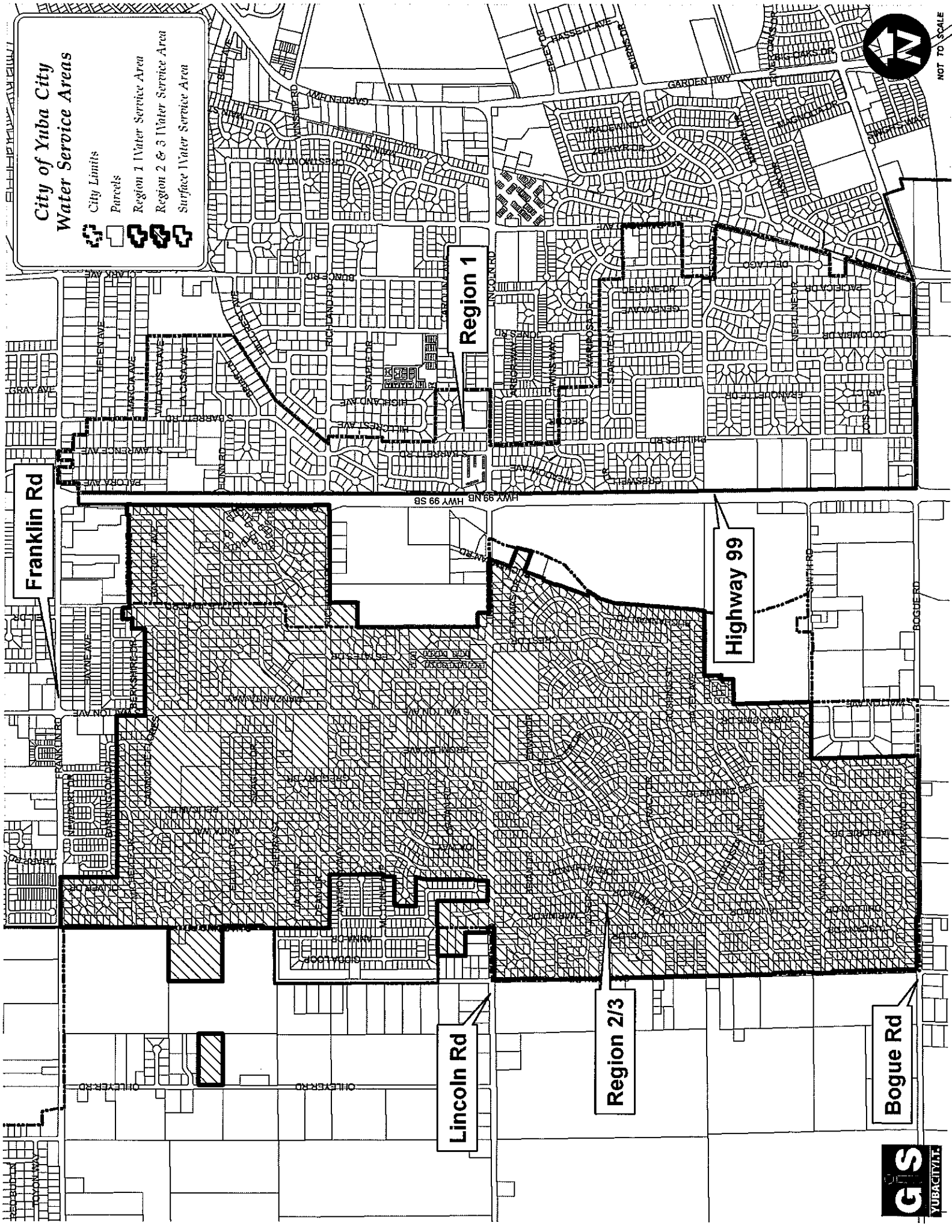
Long term improvements to the HWS are required in order to meet arsenic and nitrate standards on a permanent basis and to ensure adequate home use water pressure as well as higher pressures needed to fight fires for HWS customers in Regions 1, 2 and 3. The City conducted two public outreach meetings on July 31 and September 24, 2007. These meetings were well attended and it was evident that the community wanted to have more meetings to obtain more information. On October 16, 2007 the City Council formed an Ad Hoc Committee composed of Mayor Rory Ramirez and Council Member Kash Gill. This committee appointed an Advisory Council consisting of fifteen members of the public. The AD Hoc committee/ Advisory Council met eleven times from November 13, 2007 through January 10, 2008. City staff provided the HWS Ad Hoc Committee and the Advisory Council information on the HWS condition assessment, water quality, water supply, Hillcrest Water Company acquisition, engineering and treatment options, monthly rates, development impact fees, enterprise fund operation, finances, the Tierra Buena assessment district, and City staff answered questions on many other subjects. Hundreds of pages of documents were provided to the HWS Ad Hoc committee and Advisory Council. The Yuba City web page contains much of this information at: <http://www.yubacity.net/wga/resources.html>.

The HWS Ad Hoc Committee's report, which includes its recommendations to the City Council, is attached.

On May 19, 2008, City staff and technical experts from the California Department of Public Health, Federal EPA, and HDR Engineering (the City's water system consulting engineers) made presentations to the City Council and general public.

# City of Yuba City Water Service Areas

- City Limits
- Pareeds
- Region 1 Water Service Area
- Region 2 & 3 Water Service Area
- Surface Water Service Area



**Date:** July 1, 2008  
**To:** Honorable Mayor & Members of the City Council  
**From:** Hillcrest Water System (HWS), Ad Hoc Committee  
Mayor Ramirez, Chairman  
Council Member Gill  
**Subject:** Hillcrest Water System Ad Hoc Committee Report

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We have had the honor and privilege of working on an important issue facing our community. As citizens of the United States one thing that we should be able to take for granted is safe, clean drinking water. The Federal EPA recently reduced the allowable level of arsenic in drinking water from 50 parts per billion to 10 parts per billion. The HWS used to serve Hillcrest Regions 1, 2 and 3 does not meet the new standards. Regions 2 and 3 are also experiencing high nitrate concentration in a well that provides water to the area in the summer when water use in the HWS peaks.

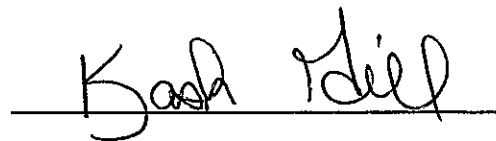
The Utilities Department has been successful in temporarily reducing arsenic levels to slightly less than the new 10 parts per billion standard through a temporary treatment process that has not been approved by the California Department of Public Health. This temporary treatment process has resulted in poor water quality at times and has reduced the capacity of the HWS treatment plants. With Well 14 out of use due to high levels of nitrates in the water produced by that well, the HWS does not have enough groundwater to meet daily demand in Regions 2 and 3. In addition, the tanks, pumps and pipes purchased with the Hillcrest system are old and some are failing. All of these issues convinced the City it was necessary to evaluate all water supply options for the HWS customers.

The AD Hoc Committee met with the Advisory Council and general public many times and learned more about water supply and treatment than we ever thought would be necessary. The Advisory Council has been an instrumental and valuable resource to us and its members have asked many important questions and provided many useful comments. We thank them for their service. We also thank City staff who has provided hundreds of hours of time to prepare hundreds of pages of documents for the Ad Hoc Committee and the Advisory Council.

Please find attached our report and recommendations of the HWS Ad Hoc Committee. We look forward to discussing this in more detail with the full City Council.



Rory Ramirez  
Mayor & Ad Hoc Committee Chairman



Kash Gill  
Ad Hoc Committee Member

# Hillcrest Water System (HWS)

## Ad Hoc Committee Report

Submitted to City Council July 1, 2008

- The Yuba City Council formed, under the direction of past Mayor John Miller an Ad Hoc committee on October 16, 2007 consisting of:
  - Mayor Rory Ramirez (Chairman) and Councilmember Kash Gill
- The Ad Hoc committee formed an Advisory Council
  - Members list is attached
- The Ad Hoc Committee and Advisory Council met eleven times, for about 30 hours total
  - The meetings took place from November 13, 2007 through January 10, 2008
- Subjects covered:
  - Kick off meeting that established group organization and priority of issues by listing all questions from the Advisory Council and the general public
  - HWS assessment
    - Description of HWS wells, pumps, treatment plants
    - HWS treatment processes and issues with temporary chemical treatment
    - Nitrates at Well #14
    - Piping systems
    - Groundwater supply shortages
  - Water Quality
    - Arsenic, nitrates, iron, manganese, hardness
    - Sampling locations and procedures
    - "Brown" water events
    - Surface water quality
  - Water Supply
    - Surface water contracts
    - Groundwater supply
    - Needs for future surface water supply contracts
  - Hillcrest Water Company acquisition
    - Purchase timeline
    - Costs and reasons for purchase
  - Engineering/ options for upgrading (HWS)

- Review of treatment options including blending, membranes, chemical co-precipitation, ion exchange, iron based sorptive media
  - Costs of upgrade options to the HWS short-term and long-term
  - Option to upgrading (HWS)/Conversion to surface water
  - California Department of Public Health review of options and funding through low interest loan
- Financial issues
    - Enterprise fund (HWS account) and general fund distinctions
    - Revenue sources – rates and development fees
    - Historical water rates and development fees
    - Rate studies and comparison to nearby communities
    - Proposed development impact fee \$5800/ \$7200
    - Development impact fee history
    - Hillcrest Water Company costs of operation and alleged profit
    - Tierra Buena issues, assessment district timeline and costs
  - Open questions
    - Answered questions from previous meetings and requests for information that continues to this day
    - Provided hundreds of pages of documents to the Advisory Council members as well as the general public
    - Provided information to the general public on the Yuba City website

## **Ad Hoc Committee Conclusions:**

- We acknowledge the need for compliance with Federal EPA water quality regulations
- Staff had presented a time schedule and costs at public meetings in July and September of 2007. Most Advisory Council and public participants thought that this time schedule was too aggressive and the costs were too high. Staff had used a preliminary number developed as part of the Development Fee Ad Hoc committee process. This fee was intended for all new development and was a baseline estimate prior to bid.
- We believe all viable treatment options were thoroughly analyzed by professionals and presented. The most viable and lowest cost option was determined to be conversion to surface water.
- We found through a detailed analysis that blending, at the existing well sites, of HWS with City surface water to achieve compliance is more expensive and less dependable than converting to surface water.
  - We believe blending of groundwater with surface water as an additional source of supply would best be achieved from wells close in proximity to the Surface Water Treatment Plant – not those in the HWS.

- We believe blended groundwater, although more costly to treat, should be analyzed as a possible backup source of water against multiple dry years, drought, surface water restrictions or conservation measures.
- We believe adequate future surface water supply can be obtained for all Yuba City surface water customers.
- We believe maintaining access to the California Department of Public Health low interest loan should be a high priority.
- All relevant questions from the Advisory Council were addressed and answered in detail by staff and/or professionals including the California Department of Public Health, consulting engineers, and representatives from the Federal Environmental Protection Agency
- Hundreds of pages of documents were provided to the Ad Hoc Committee/ Advisory Council
- We believe it is not appropriate for Yuba City surface water customers to pay for improvements or ongoing operating costs for the HWS from which they do not receive benefits
- We believe educational outreach efforts are getting factual information to the existing HWS customers so they can decide to accept or reject the option to fixing the HWS by converting to the City's surface water system.

## **Policy Decisions:**

- Current policy is that in order to receive City surface water supply a customers property must be within the City limits. The Council has historically made exceptions to this policy due to health and safety concerns. We recommend that all current HWS customers be allowed, this one-time option, to convert to surface water without requiring annexation or paying the existing monthly surcharge for services provided outside the City limits.
- The surface water hookup fee normally includes two components for new development – water distribution and treatment plant capacity. Distribution costs would include, but not limited to, large pipelines, water storage tanks and booster pump stations. We recommend that the Council not use the newly proposed development impact fee, but charge the existing HWS customers only the specific costs directly attributable to the water distribution system associated with serving HWS regions 1, 2, and 3 with surface water. The plant capacity fee and all distribution system over-sizing should not be charged to these customers.

## **Recommendations:**

- We recommend that the fee be added as a water rate surcharge. We recommended that the City Council approve a surcharge not to exceed \$19.80 per month for 20 years for homes without a water meter and \$17.00 per month for homes that currently are metered. The proposed water rate surcharge is based on the City of Yuba City receiving a low interest California Department of Public Health State Revolving Fund loan.
- The actual water rate surcharge will be determined once construction bids are received, but will not exceed amounts quoted above without the benefit of a Proposition 218 protest process.
- There are some parcels that have prepaid the City surface water hookup fee, but are currently supplied Hillcrest Water. We recommend that these parcels be allowed to participate in choosing to convert to surface water and because they prepaid, the proposed monthly water surcharge fee be waived.
- The water rate surcharge would begin one month after customers begin receiving surface water. Not all customers would start at the same time due to existing groundwater and surface water connections that can currently serve some HWS customers.
- We recommend that the water rate surcharge not be indexed – it should remain unchanged for 20 years then dropped from the monthly service bill.
- We recommend allowing pre-payment (without penalty) at any time for those who do not want to finance the water rate surcharge or who might want to pay off their balance early.
- There are many residents on private wells that have water pipelines in front of their home or nearby that have expressed a desire to connect to the surface water system. We recommend these customers be provided this one-time option, that within 6 months of surface water becoming available they would pay the same surcharge fee as proposed for HWS customers. In addition, all applicable fees such as installation of a service pipe and meter installation costs would be charged per parcel at the City's current rates.
- There are also residents on private wells in the area who may desire to connect to the City surface water system who do not have a pipeline in front of their home. We recommend that these customers also be provided this one-time option, that within 6 months of surface water becoming available they would pay the same surcharge fee as proposed for HWS customers. In addition to the applicable service and meter installation costs, these residents must also pay the pipeline extension fees for the construction of new pipelines to be installed in front of their homes at the City's current rates.

We recommend directing staff to immediately begin the Proposition 218 protest process for implementing the water rate surcharge for converting all HWS customers over to the surface water system.

### **Ad Hoc Committee Members**

Rory Ramirez (chairman)

Kash Gill

### **Advisory Council Members**

Surinder Bains

Bob Barkhouse

Bob Bush

Mike Critchfield

Cheryl Dahlman

Sharon Foote

Roger Hollis

Lynn Horn

Donald Kessel

Dan Mescher

Elaine Miles

Barry Schroeder

Phil Treanor

Bob Van Oosterhout

Sandy Watson

### **General Public Participants**

Janet Baur

Jack Bromley

Suzanne Connelly

Denis Cook

Rick Dais

Jerry and Cecilia Daltos

Roger Davies

Stephen A. Elliott

Jeff Endsley

Daniel Gonzales

Pat Hill

Marie Huerta

Gene Larrigan

Iuah Lemoine

Pearl Manlei

Barbara Mathews

Noal D. Miles

Kirk Miller

Jennifer Miller

Milton Greathouse

Sylvia Oakley

Deanna & Russ Orsi

Larry Ozeran

Michael & Gayle Payne

Kay Purny

Guy and Karen Rector

Al Sawyer

Valerie Smith

John Thoo

Steve Trinklein

Kathy Trinklein

Sam Uriarte

Carolyn Whitaker