



NOTICE OF PUBLIC HEARING

Adjustment in Water Commodity Delivery Charges

August 25, 2009 at 6:30 p.m.

**Community Meeting Center
11300 Stanford Avenue, Garden Grove**

William J. Dalton
Mayor

Steven R. Jones
Mayor Pro Tem

Dina Nguyen
Council Member

Bruce A. Broadwater
Council Member

Andrew Do
Council Member

NOTICE is hereby given that at a public meeting on **August 25, 2009, at 6:30 p.m.**, the Garden Grove City Council will hold a public hearing at the Garden Grove Community Meeting Center, 11300 Stanford Avenue, Garden Grove, California, to consider **proposed adjustments in Water Commodity Delivery Charges** applicable to the Public Works Water Services Division, necessary to account for unanticipated increases in the City's costs to acquire water from other agencies, such as the Metropolitan Water District (MET) and the Orange County Water District (OCWD), and in order to allow the City to continue to meet its service obligations and the regulatory obligations imposed by the State of California Department of Public Health (DPH) and the U.S. Environmental Protection Agency.

Reason for proposed fee adjustments

Most of the water the City of Garden Grove provides to customers comes from a combination of water pumped from the groundwater basin managed by the Orange County Water District (OCWD) and water purchased on a wholesale basis from the Metropolitan Water District of Southern California (MET) through its regional water wholesaler, the Municipal Water District of Orange County (MWDOC). The City has no control over the rates it must pay OCWD and MET/MWDOC to acquire water. These water commodity costs currently account for more than 40% of the City's total costs to provide water service.

In 2007, the City increased water rates to account for increased construction, material, supply, fuel and labor costs. The 2007 rate increases are being phased in over a five-year period through 2011/2012. The rates set in 2007 were based on a Water Financial Plan (the "Plan") developed by the City, which identified the estimated funds needed to adequately finance the operations, capital improvements and debt obligations for the Water Services Division over a ten-year period.

The projected future water commodity costs reflected in the Plan were based on estimates provided by MET/MWDOC and OCWD at the time. However, MET recently informed the City that, due to a water supply shortage, judicially imposed limits on the use of water in the Sacramento Delta and other factors, MET will raise its rates

significantly more than it previously informed the City. According to MET, commencing September 1, 2009, the rates it charges the City for water are expected to increase more than 40% over the next 15 months. In addition, OCWD has advised the City that it anticipates increasing its charges by 8% in each of 2010 and 2011.

A fee adjustment is needed to account for the unexpected increase in the City's cost to purchase water from MET/MWDOC resulting from the MET rate increase that will take effect on September 1, 2009. Flexibility to adjust fees to account for future significant unanticipated rate increases imposed by MET/MWDOC and OCWD is also needed. Otherwise, the City may not be able to generate the funds required to maintain and operate the City's water system, repay bond indebtedness, and to comply with regulations imposed by State and Federal agencies, because funds currently dedicated to these purposes will instead need to be used to pay for the higher water costs imposed by MET/MWDOC and OCWD.

Fees proposed to be adjusted

City water rates for metered service are broken down into four separate components: (1) a minimum service charge based on the customer's meter size; (2) a capital improvement charge based on the customer's meter size; (3) a commodity delivery charge based on the amount of water used by the customer; and (4) a commodity adjustment charge based on the amount of water used by the customer.

The proposal calls for a \$0.19 per billing unit increase in the Commodity Adjustment Charge component of the current rate structure to account for a higher-than-anticipated increase in the cost of imported water the City of Garden Grove purchases from MET through its regional water wholesaler MWDOC. This will result in the Commodity Adjustment Charge component of the current water rate schedule increasing from \$0.27 per one hundred cubic feet ("HCF") of water (748 gallons) used to \$0.46 per HCF. None of the other rate components would be increased under the proposal.

Under the proposal, the average residential customer's water bill would increase by approximately \$2.85 per month (assuming a 5/8 x 3/4-inch meter and 15 HCF of water use), or \$5.70 per every bi-monthly bill. Your water bill will increase more or less, depending upon how much water you use. If approved, the increased Commodity Adjustment Charge will go into effect on November 1, 2009.

In addition to this one-time increase, the City Council will also consider adoption of an Ordinance authorizing the City Manager to automatically adjust the Commodity Adjustment Charge over the next five (5) years to account for future unanticipated increases or decreases in charges established by other public agencies that the City of Garden Grove must pay to acquire water.

Basis upon which the fees are to be adjusted

The proposed \$0.19 increase in the Commodity Adjustment Charge is calculated based directly on the actual unanticipated increased costs that the City will incur beginning September 1, 2009 to purchase water from MET/MWDOC. Data documenting the Water Services Division's current and projected water commodity costs and the basis for the proposed commodity pass through rate increase is available for review at the City Clerk's Office.

The proposed Ordinance authorizing future automatic adjustments to the Commodity Adjustment Charge to account for unanticipated increases or decreases in the cost incurred by the City to acquire water is authorized by Section 53756 of the Government Code. The amount of such automatic adjustments will be based directly on the incremental difference in costs that the City will incur to acquire water from other public agencies (i.e., MET/MWDOC or OCWD) as a result of unanticipated increases or decreases in the amount such public agencies charge the City. Automatic adjustments will only be made to the extent such increases or decreases are not already reflected in the schedule of charges then in effect. At least 30 days notice will be provided to customers before any such automatic adjustments will take effect. In addition, data documenting the amount of the unanticipated increase or decrease in water commodity costs and the basis for all adjustment calculations will be made available to the public upon request at the time of any automatic adjustment.

Proposition 218

Property owners, as defined under Proposition 218, may respond to the proposed fees **in writing** prior to or during the public hearing. Consistent with the provisions of Proposition 218 and Government Code Section 53755, this notice has been mailed to all the record owners of affected property to the addresses as they appear on the latest equalized assessment roll and to all water service customers located on the affected parcels at the addresses to which the City customarily mails the billing statements. If you are a property owner as defined under Proposition 218 and object to the proposed fees as described in this Notice, you may file a written protest with the City at or before the time set for the public hearing. Protests can be mailed or personally delivered to the City Clerk as follows:

By Mail:	City of Garden Grove P.O. Box 3070 Garden Grove, CA 92842	In Person:	City of Garden Grove 11222 Acacia Parkway Garden Grove, Ca 92840
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A valid protest **must** include:

1. The name of the record owner or owners of the property; and
2. Identification of the property by either assessor's parcel number or street address; and

3. A statement of protest ("I/we protest" will suffice); and
4. The original signature of the protesting owner or owners (photocopies will not be accepted).

Please note that each property owner will be counted as a single vote, regardless of the number of owners. If there are two record owners, both must sign the written protest. If there are more than two owners, the protest must be signed by a majority of the owners. Multiple protests returned for a single property will be disallowed and the City Clerk will only accept one protest per property.

If you have any questions regarding this Notice or the proposed fee adjustments, or would like even more detailed information, please call the City at (714) 741-5520.