



Dear Mt. Shasta property owners and customers,

Enclosed you will find an explanation of the Proposition 218 public notice process accompanying the Mt. Shasta City Council's recent decision to adopt the 2020 Wastewater (Sewer) Utility Rate Study Update, which can be viewed at <https://mtshastaca.gov/wp-content/uploads/2020/09/2020-Wastewater-Utility-Rate-Study-Update.pdf>. You will likely recall that the City passed a 5-year rate increase schedule in 2017, which is in effect until 2022. This study can be viewed at <https://mtshastaca.gov/wp-content/uploads/2020/09/2017-Final-Wastewater-Utility-Rate-Study-1.pdf>. The 2020 update will continue rate increases in wastewater only until 2027. This rate increase will apply to all existing and future rate payers, residential, commercial, and otherwise, who reside in the City or the County and are or will be connected to the City Sewer collection and/or treatment system.

It was known at the time of adoption of the 2017 Rate Study that the City would need to revisit the rates prior to 2022 to be in a position to adopt another 5-year increase. Inflation, as we know, continues to increase. This affects all costs in the wastewater department from operational costs such as maintenance and repair of the sewer collection system and wastewater treatment plant to materials, supplies, facilities expenses (such as electricity, phone, internet), and even employee related costs and outside services.

The biggest factors (beyond inflationary increases) triggering the need for these rate increases were 3 major capital improvement projects that are critical to eliminating sewer overflows in the collection system and violations at the wastewater treatment plant (WWTP). The WWTP violations were due to more stringent effluent limitations imposed on the City by the State Water Resources Control Board with the adoption of the new 2012 National Pollutant Discharge Elimination System (NPDES) Permit. This topic was covered extensively in the years leading up to the 2017 Rate Study and increases.

The City has made great strides in accomplishing the goal of completing these 3 major capital improvement projects:

- State-Mandated WWTP Improvements Project
- Interceptor Replacement Project
- Downtown Collection System Improvements Project

The \$3.6 million Downtown Collection System Improvements Project is complete thanks to \$2.1 million in grant funds from USDA Rural Development (USDA-RD).

We have been working diligently to complete the State-Mandated WWTP Project and the Interceptor Replacement Project. In fact, the State-Mandated WWTP Project was put out to bid

in September 2019. When the bids came back, however, the lowest bidder was \$3.7 million dollars higher than the funds we had available in grant and loan dollars from both USDA-RD and the State of California's Clean Water State Revolving Fund (CWSRF). It has taken a year of working with these agencies to put together a financing package that the City can afford. We were able to successfully squeeze another \$2 million of grant dollars out of the State for this project and have a plan to get up to approximately \$6 million dollars in a 0% interest loan approved by the State. Between the two agencies, we will receive \$10.75 million in grant funding for the estimated \$26 million-dollar WWTP Project. This financing plan is contingent upon this 2020 Wastewater Utility Rate increase. The City must be able to demonstrate it can pay back these loans.

The 2020 Wastewater Utility Rate Study Update has a complete breakdown of the grant vs loan components from each agency, as well as further explanation of the reasons for the cost increases.

It is somewhat helpful to know that the City of Mt. Shasta is not alone. Many other cities are being required to build new or expand existing wastewater treatment plants. As a result, the sewer rates in these cities are increasing. Figure 1 Sewer Rate Comparison in the Rate Study Update illustrates this trend in many other California cities and districts of all sizes that are like Mt. Shasta. Several cities are or will be paying more than \$70 per month.

We, as Council and staff, continue to try keep our rates as low as possible by maximizing grant and low interest loan opportunities. We were able to do so for many years and we remain committed to this effort while struggling to fund major capital improvement projects, inflation, unfunded state mandates, and repairs to a badly aging infrastructure system. We further understand that this is a difficult time for many as we struggle with negative impacts from the Coronavirus. If this were not an urgent matter, please trust that we would not be pushing this forward at this time. However, This State-Mandated WWTP Project and increased regulations have been going on for many years prior to the pandemic and will continue for many years after. Many aspects of our lives have been halted or changed in substantial ways. The need to treat and discharge wastewater to increasingly stringent standards has not.

Attached is the Public Notice of Proposed Wastewater Rate Changes. It has detailed information on the Proposition 218 process and the proposed wastewater rate changes. Please also refer to the 2020 Wastewater Utility Rate Study Update Memorandum for background information and more detail.

Finally, if after reviewing this information, you have questions about your rights or how to participate, please contact City Hall at 926-7510, we will do our best to clarify the process.

Thank you for your understanding,

John Stackfleth
Mayor

Bruce Pope
City Manager



CITY OF MT. SHASTA

305 N. Mt. Shasta Boulevard
Mt. Shasta, California 96067
(530) 926-7510 – Telephone
(530) 926-7521 - Fax

PROPOSITION 218

PUBLIC NOTICE OF PROPOSED WASTEWATER RATE CHANGES

Public Hearing to be held on November 4, 2020 at 3:30 P.M.

Please click the link below to join the webinar:

<https://us02web.zoom.us/j/84984161644>

Or Telephone:

Dial(for higher quality, dial a number based on your current location):

US: +1 253 215 8782 or +1 346 248 7799 or +1 408 638 0968 or +1 669 900 6833 or +1 646 876 9923 or +1
301 715 8592 or +1 312 626 6799

Webinar ID: 849 8416 1644

The Mt. Shasta City Council has determined there is a need to adjust wastewater rates to generate the necessary revenue to operate and maintain wastewater services. As rates are the primary source of revenue to operate, maintain, and fund capital improvement projects, the City Council wishes to establish a fair and equitable rate structure that will accomplish these objectives.

Article XIII D of the California Constitution requires that cities meet certain procedural and substantive requirements when adopting a new or increased property-related fee or charge, and the Proposition 218 Omnibus Implementation Act (Government Code Sections 53750-53758), as amended, provides additional guidance for the procedures to be followed. To comply with those procedures and conduct fair and accurate protest hearings, the City Council has directed the mailing of this Notice to all "Record Owners" on the last secured tax assessment roll, as well as all existing utility billing customers.

The City owns and operates its wastewater system consisting of a collection piping system, treatment, and effluent disposal facilities. With the adoption of the 2012 National Pollutant Discharge Elimination System Permit (NPDES), which contained more stringent effluent limitations, the City was required to complete a Preliminary Engineering Report and Feasibility Study (PER) for the State Mandated Wastewater Treatment and Disposal Improvements Project. The PER identified wastewater treatment plant (WWTP) improvements necessary to comply with the City's NPDES permit. The City has also identified two other

major wastewater collection system capital projects in need of funding.

The City’s current residential and commercial 5-year wastewater rate structure was adopted in 2017 and lasts through July 2022. The 2017 Wastewater Utility Rate Study can be viewed or downloaded at: <https://mtshastaca.gov/wp-content/uploads/2020/09/2017-Final-Wastewater-Utility-Rate-Study-1.pdf>. At the time of adoption, it was determined that an update would be needed within 5 years to cover inflationary factors and construction cost increases.

The City has diligently and aggressively applied for and received maximum available grant funds from both Federal and State funding sources, as well as negotiated long term, 0% interest loans to develop a financing package that will pay for the State Mandated Wastewater Treatment and Disposal Improvements Project, the Interceptor Sewer Replacement Project, and associated operational and construction inflationary cost increases. This funding package is dependent upon this rate increase.

Copies of the City’s recently completed Wastewater Utility Rate Study Update is available for review and/or download on the City’s website at: <https://mtshastaca.gov/wp-content/uploads/2020/09/2020-Wastewater-Utility-Rate-Study-Update.pdf>

The proposed wastewater rates will take effect July 1, 2022. The planned wastewater rates through end of FY21-22 (June 30, 2022) will remain unchanged. However, on July 1, 2022, the wastewater rate is proposed to increase to \$66.00 per month, with annual increases over the subsequent five years to \$78.00 per month on July 1, 2026. See Table 1.

Who these rates will affect: These new rates will apply to all current and future property owners and rate payers (including Residential, Commercial, Industrial), inside and outside City Limits, who are or will be connected to the City sewer system. If you currently pay for City sewer, the following proposed rate increase will apply to you.

Table 1 – Recommended Monthly Sewer Rates

User Class	Existing FY 21-22	Proposed FY 22-23	Proposed FY 23-24	Proposed FY 24-25	Proposed FY 25-26	Proposed FY 26-27
Single-Family Flat Rate per Unit	\$61.00	\$66.00	\$71.25	\$73.00	\$75.00	\$78.00
Non-Residential Flat Rate per EDU (see Notes)	\$61.00	\$66.00	\$71.25	\$73.00	\$75.00	\$78.00

Notes:

1. One equivalent dwelling unit (EDU) equals 175 gallons per day of wastewater flow, which is the estimated flow from a typical single-family household.
2. Non-residential EDUs based on 90% of monthly water consumption.

How to protest

Property owners may comment on the proposed rates. California Constitution Article XIII D Section 6 (Proposition 218) prohibits the City from implementing new rates if a majority of the affected property owners file written protests opposing the rates before the end of the public hearing. In the event of a majority protest, as defined in Article XIII D, Section 6, it will result in the fees **NOT** being imposed.

Only one written protest per affected property will be counted toward the majority protest. Written protests must be received by the City Clerk, 305 N. Mt. Shasta Boulevard, Mt. Shasta, California 96067, before the end of the public hearing which is scheduled for 3:30 p.m., November 4, 2020 via Zoom Meeting. All protests will be tabulated at that time.

Each protest must identify the proposed rate being protested (wastewater), the affected property (by street address **and** Assessor's Parcel Number) and include the signature of the customer or property owner. In compliance with Proposition 218, **e-mail and fax protests will not be accepted**. Although the City Council welcomes input from the community, **oral comments** at the public hearing **will not qualify** as formal protests unless accompanied by a **written** protest.

Some customers will receive multiple notices. In order to ensure that all property owners are informed about possible wastewater rate changes, these Notices are being sent to all City of Mt. Shasta property owners at the address shown on the most current tax rolls, as well as all existing utility billing customers. If you are responsible for more than one bill, you will receive more than one Notice. If you purchased your property after the date of the last equalized Tax Assessor's Tax Role (2019-20) and you wish to file a protest you must bring written proof of the date of purchase of the subject property.

If you wish to submit your protest in writing, please mail to:

Mt. Shasta City Hall
ATTENTION: Rate Protest
305 N. Mt. Shasta Boulevard
Mt. Shasta, CA 96067

Or, submit the written protest in person to:

Mt. Shasta City Hall
305 N. Mt. Shasta Boulevard
Mt. Shasta, California 96067

To order information in an alternative format to assist persons with disabilities, please call the Office of the City Clerk at (530) 926-7510 on or before October 28, 2020