



Dear Property Owner/Tenant:

Pursuant to the requirements of Proposition 218 and Article XIII of the California Constitution, this notice provides information regarding proposed rate increases for City of Paso Robles water services. The proposed rate increases will be presented to the City Council for adoption on the date, time and location specified below in the NOTICE OF PUBLIC HEARING.

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Notice of Public Hearing Regarding Proposed Increase in Water Rates

Notice is hereby given that a public hearing on the proposed rate increases to water rates will be held by the City Council on:

Date: Tuesday, December 4, 2007

Time: 7:30 p.m.

**Place: City of Paso Robles, Council Chambers
1000 Spring Street, Paso Robles CA 93446**

This notice has been sent to all City property owners/tenants receiving water services. If adopted, the proposed Plan of rate increases will become effective February 1, 2008. The proposed Plan provides for subsequent annual increases each July 1st, up to and including July 1, 2010. This notice also describes how to file a protest against the proposed rate increases.

All property owners/tenants and other interested parties are invited to attend the public hearing and be heard on the proposed rate increases.

IS 1/2 CENT PER GALLON TOO MUCH?

Paso Robles must raise its water rates to pay for a new source of fresh water. The Nacimiento Water Project will deliver 4,000 acre feet, that's 1,303,413,600 gallons, of water annually. The pipeline, pump stations and treatment plant needed to deliver the water will cost, and those costs are greater than existing systems. So why do it?

Historically, Paso Robles' water has come from underground sources – the Paso Robles Groundwater Basin and the Salinas River underflow – about 8,000 acre feet per year. Using well water has been cost effective – in fact, Paso Robles water rates have been among the very lowest in the State. But, like so many communities in semi-arid areas, Paso Robles faces challenges that will impact those costs.

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COMPETITION

Groundwater is limited and vulnerable to overuse. Across the North County, groundwater is used for agriculture, residents, commerce, and industry. Recent studies of the Basin indicate that it may soon reach the point when pumping will meet and exceed the natural replenishment rate. This is not just theory - some areas east of the City already report significant well water level declines.

In addition to the Basin, the City is permitted to pump up to 4,600 acre-feet per year of Salinas River underflow. But river water is fully-allocated; no more can be taken by public agencies.

As groundwater use increases, or as drought reduces replenishment, competition for water increases. Competition for limited supplies can lead to the uncertainty and expense of litigation, as occurred in Santa Maria. It is important to learn from the experiences of others. Nacimiento water presents an opportunity for water that reduces competition for supply.

QUALITY

The City's underground water supplies contain significant levels of minerals and total dissolved solids (TDS), a condition many call "hard water". Hard water increases demand for in-home and industrial water softening; that softening adds salt to the City's wastewater flows. Higher salt levels means significantly higher wastewater treatment, discharge, and reuse costs, and can lead to groundwater quality declines.

The City has a permit to discharge treated wastewater to the Salinas River, provided it meets strict quality criteria. But TDS and salts from water softeners make it difficult to comply with permit limits. Exceeding those limits can lead to substantial fines and possibly even a prohibition against River discharge. Either outcome is expensive.

Nacimiento water has TDS levels far lower than underground sources. These lower concentrations mean better quality water at the tap, and reduce the need for in-home water softening - thus improving discharge quality.

SUMMERTIME DEMANDS

City water use varies widely throughout the year, peaking during hot summer months. The existing water system cannot keep pace with high demand periods. More water is needed to meet peak demands and provide reserve water for fire-fighting.

NACIMIENTO

Nacimiento will provide 4,000 acre-feet per year, improve drinking water quality, and significantly reduce groundwater basin dependence for existing residents. The markedly softer water will encourage elimination of household water softeners, directly reducing salt loading into the waste stream. The improvement in wastewater quality will enable the City to recycle treated water to meet future water needs and lessens the risk of degrading groundwater.

These benefits, of course, come at a price; a price that needs to be financed. Municipal bonds are the financing mechanism. Like a mortgage, bonds carry interest costs over a term of 20-30 years and, as with mortgages, the rate of interest is a function of the market and security of the "loan." The source of payment and security for bond financing is the City's water charges.

Some months ago, the City reviewed water rate options and concluded that a fixed monthly flat rate on every water account would attract the best bond interest rates. The flat rate was presented to all 10,200 water customers. Only 107 protest ballots were filed, and so the City Council approved the flat rate by Ordinance No. 935 N.S. The strategy worked; bonds were sold at 4.7% rather than 5.0%; the City's savings are \$300,000 per year.

Additionally, at the time flat rates were adopted, the City stated its intent to convert to consumption-based rates (pay only for what is used) after the Nacimiento bonds sold. On October 2nd, the City Council repealed the flat rate structure of Ordinance No. 935 N.S. and directed staff to prepare a revised water rate structure based on the amount of water used. The City Council will consider adopting the revised consumption-based water rates at a public hearing on December 4, 2007.



NACIMIENTO (Continued from page 2)

Once the new rates are fully implemented (mid-2010), water will cost about ½ cent per gallon delivered to the tap. Compare that to the cost of bottled water! With this convenience comes improved water quality, reduced need for in-home softening, increased reliability, less impact on local groundwater, and lessened after-use water treatment costs – all for ½ cent per gallon.

NOTE: Future development will pay its share of the Nacimiento Water Project and other water costs. Specifically, all new development, once occupied, will pay the same water service rates as existing residents. Second, water connection fees (charged for any new connection to the City water system) have been increased to the maximum allowed to pay for new development’s impact on the water system including the Nacimiento Water Project. Third, additional connection fee increases are currently proposed to address increased costs. Finally, future major developments will be required to purchase additional Nacimiento water at its own expense.

HOW MUCH ARE RATES BEING INCREASED?

A consumption-based rate divides total costs by number of units consumed. Typically, as rates rise, the number of units consumed decreases, but costs do not. Accordingly, the proposed phased rates include adjustment factors for annual inflation and decreased consumption. The proposed water rate schedule is as follows:

	Current	02/01/08	7/1/08	7/1/09	7/1/10
Basic Water Service ^(1,2)	\$1.28	\$2.25	\$2.75	\$3.50	\$4.00
Nacimiento Water Fees	\$12.00*	**	**	**	**

*Fixed rate already established per Ordinance No. 882

**Flat rate will be discontinued—cost is included in Basic Water Service Rate

⁽¹⁾ Rate per unit (100 cu. ft. or 748 gallons).

⁽²⁾ Basic water service fees shall be adjusted annually every July 1st by the increase in the Consumer Price Index (“CPI”) for “All Urban Wage Earners and Clerical Workers” (San Francisco-San Jose-Oakland) category as published by the U.S. Bureau of Labor Statistics in April of each year.



HOW DO I PROTEST THE PROPOSED RATE INCREASE?

Under Proposition 218, if you are the owner of record for a parcel or parcels or a tenant directly liable for payment of the fees subject to the proposed rate increases, you may submit a written protest regarding the proposed rate increases. Protests must be filed in writing with the City Clerk of the City of Paso Robles. It may be filed with the City Clerk at any time before the close of the public hearing. Written protests may be mailed or hand delivered to the City Clerk at 1000 Spring Street, Paso Robles, CA 93446.

Any written protest must be signed by the property owner or the customer responsible for payment of the fees and it must include service address or assessor’s parcel number (APN). Only one protest may be filed per parcel or service address. Should a majority written protest be filed by the close of the December 4 public hearing, the proposed rate structure cannot be adopted and another rate structure would have to be proposed.

For more information or questions about the proposed water rate increases, you may contact the Department of Administrative Services (City Utility Billing) at 805-237-3999.

