PROPOSITION 218 NOTIFICATION
NOTICE OF PROPOSED RATE RESTRUCTURING AND ADJUSTMENTS TO WATER RATES AND CHARGES

Dear Customer:

The City of Glendale Water & Power Department (GWP) is proposing new rates and charges for its water utility, which includes a rate restructuring. This notice explains the rate design and revenue adjustments that will be recommended to the Glendale City Council at the date, time, and location specified below.

NOTICE OF PUBLIC HEARING

A public hearing for the proposed rate restructuring and adjustment to water rates will be held on Tuesday, May 22, 2018 at 6:00 p.m. at the City of Glendale Council Chambers, 613 E. Broadway, 2nd Floor.

WHY IS THERE A NEED FOR INCREASED REVENUE FOR THE WATER UTILITY?

The costs incurred by GWP to operate, maintain, repair and replace infrastructure such as pipes, pumps and other essential facilities continue to increase. The increases associated with GWP's expenses include the increasing costs of purchased water, regulatory compliance, water treatment, outside services and material, and energy costs for ground water pumping. The proposed water rates will ensure that the water utility collects sufficient revenue to cover operating and capital expenses, build up cash reserves to maintain reliable service and run the water utility efficiently consistent with industry standards.

To determine the revenue requirements needed to fund the City's ongoing expenses, GWP projected the operating and maintenance (O&M) costs, capital improvement plan (CIP), debt service payments and reserve requirements for the study period from FY 2019 to FY 2023.

O&M expenses include salaries and benefits, minor repairs and equipment, water pumping and supply costs, etc. Expected O&M expenses over the study period range from $46.4 million to $54.0 million per year. Additionally, GWP plans to spend approximately $52.5 million on capital projects over the study period to replace and repair aging infrastructure. The City does not plan to incur new debt and all capital projects will be funded through water rates and reserves. The proposed revenue increase will be 1.0% for the first year, 1.0% for the second year, 1.5% for the third year, 2.0% for the fourth year, and 2.0% for the fifth year.

WHY ARE THE WATER RATES BEING ADJUSTED?

Every five years, GWP conducts a Cost of Service Analysis to ensure that rates are adequate to fund costs and are being fairly charged to customers as usage patterns and costs change. The major objectives of each study include the following:

1. Ensure revenue sufficiency to meet the O&M and capital needs of the City's water utility. The majority of the water system is depreciated; therefore, a main focus of this water rate study is to develop a sustainable financing strategy that will fund capital projects while minimizing impacts on customers.
2. Determine rates that are fair and equitable, in accordance with cost of service guidelines used in the industry, and in compliance with Proposition 218 requirements.
3. Minimize the financial impact to the City's water customers while retaining revenue stability and preserving the overall financial health of the utility.

HOW IS THE NEW WATER RATE DESIGN DIFFERENT?

A cost of service rate study enables a water utility to proportionately allocate costs to each customer class and adopt rates that equitably recover those costs from the accounts within the respective customer class. For single-family customers, the rate redesign changes the existing four-tiered rate structure to three tiers. For multi-family customers, the rate redesign continues to provide two tiers, and commercial and irrigation customers continue to have one tier. The allotment of water in the first tier has been increased to provide adequate water for indoor domestic use for Single Family and Multi-Family customers. Additionally, the allotment of water for Tier 2 has been increased for Single Family customers to meet the needs of the average user.

HOW DOES THIS AFFECT MY WATER BILL?

As an example, the average monthly consumption for single-family residential customers in Glendale is approximately 15 hundred cubic feet (hcf) at the existing cost of $74.60. The proposed revenue adjustment with the rate redesign will result in a $1.51 decrease in the monthly bill of a single-family residence that uses 15 hcf during Fiscal Year 2018-2019. A single-family customer that consumes the Glendale average (15 hcf) would be charged as follows:

	Existing Structure and Rates			Proposed Structure and Rates			Difference
Customer Charge (varies by meter size, 3/4" inch meter shown)			$ 29.15			$ 25.33	(3.82)
Commodity (Usage) Charge (varies by consumption)	**Existing Consumption Blocks**	**Unit Cost**	**Tier Cost**	**Proposed Consumption Blocks**	**Unit Cost**	**Tier Cost**	
Tier 1	0 - 6 hcf	$2.57	$ 15.42	0-8 hcf	$ 2.61	$ 20.88	5.46
Tier 2	6.1 - 12 hcf	$3.19	$ 19.14	8.1 - 15 hcf	$ 3.84	$ 26.88	7.74
Tier 3	12.1 - 25 hcf	$3.63	$ 10.89	15+ hcf	$ 3.99		
Tier 4	Over 25 hcf	$4.42					
Total Commodity Charge			$ 45.45			$ 47.76	2.31
Total Monthly Charge (Bill)			$ 74.60			$ 73.09	$ (1.51)

PROPOSED WATER RATES

Fixed Monthly Charge						
Meter Charge	**Existing**	**FY 2019**	**FY 2020**	**Proposed FY 2021**	**FY 2022**	**FY 2023**
5/8"	$ 22.98	$18.14	$18.33	$18.61	$18.99	$19.37
3/4"	$ 29.15	$25.33	$25.58	$25.97	$26.49	$27.02
1"	$ 38.42	$39.70	$40.10	$40.71	$41.53	$42.37
1 1/2"	$ 63.12	$75.61	$76.37	$77.52	$79.08	$80.67
2"	$ 75.47	$118.72	$119.91	$121.71	$124.15	$126.64
3"	$ 260.75	$255.22	$257.77	$261.64	$266.88	$272.22
4"	$ 507.79	$456.37	$460.93	$467.85	$477.21	$486.76
6"	$ 940.11	$937.68	$947.06	$961.27	$980.50	$1,000.11
8"	$ 2,175.31	$1,727.91	$1,745.19	$1,771.37	$1,806.80	$1,842.94
10"	$ 3,410.51	$2,733.66	$2,761.00	$2,802.42	$2,858.47	$2,915.64
12"	$ 3,410.51	$3,595.73	$3,631.69	$3,686.17	$3,759.90	$3,835.10
Private Fire Line						
1"	$ 8.95	$4.17	$4.22	$4.29	$4.38	$4.47
1 1/2"	$ 9.90	$4.91	$4.96	$5.04	$5.15	$5.26
2"	$ 11.55	$6.20	$6.27	$6.37	$6.50	$6.63
3"	$ 17.44	$10.81	$10.92	$11.09	$11.32	$11.55
4"	$ 27.61	$18.77	$18.96	$19.25	$19.64	$20.04
6"	$ 64.11	$47.34	$47.82	$48.54	$49.52	$50.52
8"	$ 127.06	$96.61	$97.58	$99.05	$101.04	$103.07
10"	$ 221.74	$170.72	$172.43	$175.02	$178.53	$182.11
12"	$ 352.97	$273.43	$276.17	$280.32	$285.93	$291.65
Recycled Charge						
5/8"	$ 19.53	$12.17	$12.30	$12.49	$12.74	$13.00
3/4"	$ 24.78	$16.37	$16.54	$16.79	$17.13	$17.48
1"	$ 32.66	$24.77	$25.02	$25.40	$25.91	$26.43
1 1/2"	$ 53.65	$45.76	$46.22	$46.92	$47.86	$48.82
2"	$ 64.15	$70.96	$71.67	$72.75	$74.21	$75.70
3"	$ 221.64	$150.74	$152.25	$154.54	$157.64	$160.80
4"	$ 431.62	$268.31	$271.00	$275.07	$280.58	$286.20
6"	$ 799.09	$549.63	$555.13	$563.46	$574.73	$586.23
8"	$ 1,849.01	$1,011.51	$1,021.63	$1,036.96	$1,057.70	$1,078.86
10"	$ 2,898.93	$1,599.36	$1,615.36	$1,639.60	$1,672.40	$1,705.85
12"	$ 2,898.93	$2,103.23	$2,124.27	$2,156.14	$2,199.27	$2,243.26

Variable Commodity (usage) Charge								
Customer Class	Existing Structure & Rates		Proposed Structure & Rates					
				Unit Cost				
Single Family	Allotment	Unit Cost	Allotment	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Tier 1	0 - 6 hcf	$2.57	0-8 hcf	$ 2.61	$ 2.64	$ 2.68	$ 2.74	$ 2.80
Tier 2	6.1 - 12 hcf	$3.19	8.1 - 15 hcf	$ 3.84	$ 3.88	$ 3.94	$ 4.02	$ 4.11
Tier 3	12.1 - 25 hcf	$3.63	15+ hcf	$ 3.99	$ 4.03	$ 4.10	$ 4.19	$ 4.28
Tier 4	Over 25 hcf	$4.42						
Water Adjustment Charge[1]	All units	$0.00	All units	TBD	TBD	TBD	TBD	TBD
Multi-Family								
Tier 1	0-5 hcf	$2.69	0-6 hcf	$2.61	$2.64	$2.68	$2.74	$2.80
Tier 2	5+ hcf	$3.97	6+ hcf	$3.84	$3.88	$3.94	$4.02	$4.11
Water Adjustment Charge	All units	$0.00	All units	TBD	TBD	TBD	TBD	TBD
Commercial								
Tier 1	All hcf	$ 3.18	All hcf	$3.78	$3.82	$3.88	$3.96	$4.04
Water Adjustment Charge	All units	$0.00	All units	TBD	TBD	TBD	TBD	TBD
Irrigation								
Tier 1	All hcf	$ 3.30	All hcf	$3.91	$3.95	$4.01	$4.10	$4.19
Water Adjustment Charge	All units	$0.00	All units	TBD	TBD	TBD	TBD	TBD
Private Fire Line								
Tier 1	All hcf	$ 3.18	All hcf	$3.99	$4.03	$4.10	$4.19	$4.28
Water Adjustment Charge	All units	$0.00	All units	TBD	TBD	TBD	TBD	TBD
Recycled Water - Commercial								
Tier 1	All hcf	$ 2.70	All hcf	$2.64	$2.67	$2.72	$2.78	$2.84
Recycled Water - Irrigation								
Tier 1	All hcf	$ 2.81	All hcf	$2.64	$2.67	$2.72	$2.78	$2.84

[1]Water Adjustment Charge (WAC) is adjusted semi-annually based on actual expenditures

Just as under the current rate structure, GWP proposes that the above adjustable rates and charges periodically be subject to an adjustment to accommodate future changes in the cost of purchased water and electricity. The Water Adjustment Charge (WAC) is determined every 6 months and applies to all customer classes shown in the table above.

DROUGHT SURCHARGES

On July 29, 2014, the City Council adopted a new water rate fee structure effective September 1, 2014. The Drought Surcharge is specifically related to drought conditions and would go into effect upon the approval by the City Council of any of the four phases of our mandatory water conservation ordinance. The purpose of the Drought Surcharge is twofold: 1) to keep the utility financially secure should California enter into a prolonged drought period and revenues from consumption declined in response to mandatory conservation, and 2) to encourage water conservation among all customers. The Drought Surcharge was designed such that customers who meet the curtailment target will likely not experience an increase in their total bill. The table below shows the various current and proposed Drought Surcharges by Mandatory Water Conservation Phase, Drought Rate Stage, and Curtailment Target. These proposed Drought Surcharges represent a significant reduction compared to the current charges. Drought surcharges for subsequent years will increase by 1.0% for the second year, 1.5% for the third year, 2.0% for the fourth year, and 2.0% for the fifth year.

Mandatory Conservation Phase	Phase 1	Phase II	Phase III	Phase IV	Phase V
Corresponding Drought Rate Stage	N/A	Stage 1	Stage 2	Stage 3	Stage 4
Curtailment Target	N/A	20%	30%	40%	50%
Current Drought Charge Per HCF Sold	N/A	$ 0.75	$ 1.30	$ 2.02	$ 3.03
Proposed Drought Charge Per HCF Sold	N/A	$ 0.30	$ 0.45	$ 0.60	$ 0.75
Change in Drought Charge Per HCF Sold	N/A	$ (0.45)	$ (0.85)	$ (1.42)	$ (2.28)

HOW TO FIND OUT MORE DETAILS

You can get more detailed information by contacting the GWP Customer Services Department at **(855) 550-4497.**

In addition, two Community Meetings have been scheduled to discuss the proposed rate restructure and revenue increase with customers. A GWP Commission Meeting is also scheduled to discuss the water rates. For more information on these Community Meetings please check www.Glendaleca.gov and www.GlendaleWaterAndPower.com.

- Wednesday, May 2, 2018, 6:00 p.m. – 7:30 p.m.
  Adult Recreation Center
  201 E. Colorado, Glendale, CA 91205

- Thursday, May 3, 2018, 6:00 p.m. – 7:30 p.m.
  Sparr Heights Community Center
  1613 Glencoe Way, Glendale, CA 91208

- GWP Commission Meeting to discuss water rates
  live streaming at www.Glendaleca.gov
  Monday, May 7, 2018, 4:00 p.m.
  City of Glendale Council Chambers
  613 E. Broadway, 2nd Floor, Glendale, CA 91206

HOW TO PROTEST THE PROPOSED CHANGES

The Glendale City Council will consider the proposed rate restructuring and adjustment to water rates, along with an Ordinance and/or Resolution relating to Water Rates, at a public hearing on Tuesday, May 22, 2018 at 6:00 p.m. at the City of Glendale Council Chambers, 613 E. Broadway, 2nd Floor.

Under Proposition 218, if you are the owner of record, or a tenant, of a parcel(s) subject to the proposed rates, you may submit a written protest against the proposed rate increases. Only one protest per parcel will be counted. If written protests are filed by a majority of the affected property owners, the proposed rate increase will not be imposed.

A written protest must contain a description of the parcel or parcels in which the party signing the protest has an interest sufficient to identify the parcel(s), including Assessor's Parcel Number (APN). If the party signing the protest is not shown on the last equalized assessment roll of Los Angeles County as the owners of the parcel(s), the protest must contain, or be accompanied by, written evidence that such party is the owner, or tenant, of the parcel(s).

Written protests regarding the proposed rate increase may be mailed to: City of Glendale, City Clerk, 613 E. Broadway, Room 110, Glendale, CA 91206. Written protests may also be personally delivered to the City Clerk at this address. To be valid, a protest must be in writing and received by the City Clerk at or before the end of the public hearing.

This notice is being sent to property owners in the City of Glendale listed in the Los Angeles County Assessor's database as well as to all individuals who are water customer account holders. As a result, you may receive this notice in duplicate. We apologize for any inconvenience this may cause.