



Answers to Frequently Asked Questions About the Proposed Water and Sewer Rates

Why are these rate adjustments being proposed?

There are three major reasons. They are:

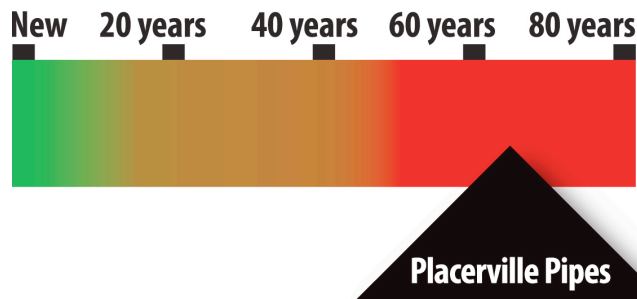
1. We must pay back the loans for a required \$45 million upgrade to our wastewater treatment facility.
2. We must begin repairing and replacing water and sewer pipes that are far beyond their projected useful life and are beginning to fail.
3. We must assure adequate water flow for effective fire protection through the replacement of 5.25 miles of antiquated pipes.

So how real is the risk of a pipeline break?

As we speak, there are problems with old water mains breaking throughout California. Pipeline failures have caused flooding, sink holes, and road damage.

Placerville is one of the oldest cities in California. The average lifespan for pipes is between 40-50 years. The majority of our pipes have been in the ground for more than 60 years. We regularly have pipes that have rusted through and need to be replaced on an emergency basis.

Typical Lifespan for Water Pipelines



Do we have to pay the loans now?

Yes. The State of California enforced dramatic upgrades to the wastewater treatment plant. The only way to pay for these upgrades was to take out a loan and issue revenue bonds. Both the loan and the bonds require repayment. Think of it as though you had to repair your home and to pay for it you took out a home equity loan. Now that the repairs are done, you have to pay the bill.

How are the new rates determined?

By law, the rates charged by public utilities must be based on the true cost of service. A recent analysis of costs was done for both Placerville's water and sewer services. The proposed rates reflect these costs as of today and project what they will be in the coming years.

The rates are about to take a pretty large jump. Why so much at once?

Frankly, in a perfect world, adequate money should have been collected for replacing pipes, pumps, and valves starting decades ago. By deferring maintenance and not replacing aging pipes over the past decades, we are now faced with a much larger task and we no longer have the ability to put it off.

The sewer fees are linked to water usage. How does that work?

It is very easy to know how much water a household uses each month just by reading the meter. The problem is that there are limited methods for measuring homes and small businesses for sewer charges. The goal is to assign rates so that they are fair and based on the amount of sewer usage. A very common method for determining sewer charges is to link it to the amount of water that is being used in the winter time. A family of five will use much more water than a single person. A family also puts more into the sewer system. So, by using water usage as a guide, you can get an idea of sewer usage.

The problem with using water usage is that not all water used goes down the drain and into the sewer. Some of it is used to water plants and landscaping. This is especially true in the hot summer months.

To get the truest measurement of water used in homes without landscaping, the water usage from the months of December through February is used for setting sewer rates. These are the lowest water use months and due to the weather, very little outside watering occurs.

This provides a fair standard for determining sewer usage.

I'm confused by my bill. How does it break down?

Presently, billing is done every other month and includes fees for both water service and for sewer service. We combine these into one bill because it is more efficient and save money in the long run. It does, however make the total higher since it includes charges for both services.

Currently, the City is exploring the idea of switching to monthly billing. In the meantime, you can always split your existing bill into two monthly payments to better fit your budget.

Isn't this adjustment the result of the City of Placerville being extravagant?

No. In fact, the opposite is true. The problem is that for decades water and sewer rates were kept artificially low because very little money was being spent on replacing worn-out pipes. The wastewater treatment plant was forced to be upgraded and now the pipes need to be replaced. Rates must be raised to pay these expenses.

Why wasn't money being put aside over the years to replace pipelines?

This problem has been created over the many decades. Ideally, money should have been collected and set aside so it would be available when it was needed. However, to keep rates low, it is very easy to hold off paying for maintenance programs. It is much like someone who holds off changing the oil in the car to save money, only to have more expensive problems later.

It sometimes very difficult for elected officials to make unpopular decisions. The current City Council and management inherited this problem. They are facing the tough decisions that were avoided in the past.

I'm just now learning about the sewer and water issues. How long have you know about this?

The major factor in the sewer rate increase is paying for the Wastewater Treatment Plant. There number articles about it in the newspapers over the years and it has been a topic a numerous City Council meetings.

We began an extensive rate study in mid 2008 to determine what was needed. This has also been reported as a regular City Council item in meetings since August of this year.

There was a sewer rate increase in 2005. Why another increase now?

There are three reasons was the increase in 2005 was just the first step in paying for the money owed on the wastewater treatment plant and the higher costs of operation.

1. The actual costs of construction were significantly higher than the original projections. The period in 2005-2006 was the peak of the building boom. Costs for basic materials such as steel and cement rose dramatically.
2. The rate study in 2005 included income projections that haven't materialized. Over the past couple of years, actual revenues have been significantly less than forecast in the rate study.
3. The costs of operating the new plant are significantly higher due to new reporting requirements. Previously, we had to perform 9 water sample tests each day. Now the required number of test are 30 per day. Along with this, there are heavy fines in the tens of thousands of dollars a day for missing these tests. The operating license renewal requirements used to be two pages and could be filled-out by an administrative person. The current requirement is now over 90 pages and requires us to hire a consulting engineer to produce it.

This combination of factors have increased the costs which have led to the proposed rates we have today.

Are my water and sewer fees subsidizing other activities?

No. By law, the fees collected for water or sewer services can *only* be spent on operating those services.

Is there any Federal Stimulus money available to pay for the Wastewater Treatment Plant?

That was something the City began researching as soon as the talk of Federal Stimulus money surfaced early this year. The answer, sadly, is no. The Stimulus Money is slated only for new projects and since the plant was already well underway, doesn't qualify.

What about issuing bonds to pay for the Wastewater Treatment Plant?

The City used revenue bonds as well as a loan. The problem now is making the payments. A revenue bond is a special type of municipal bond that guarantees repayment solely from revenues generated. That means raising rates. So, more bonds doesn't solve the problem or reduce the amount of money that needs to be paid. They would increase the amount of interest involved and increase the total cost significantly.

What about people on fixed incomes and low-income families?

To assist people on fixed incomes and low-income households, we have a Lifeline Program that provides a reduced rate to qualified applicants. For details about this program call (530) 642-5223.

What can I do to reduce my water bill?

By conserving the amount of water used you not only reduce your water usage, you also reduce the demand on the entire system. We are increasing conservation information to our customers. For details about this program call (530) 642-5223.

Will there be other increases in the future?

As long as we have an economy where costs are increasing, there will be times when the amount charged to customers will need to be adjusted as well. We will always work to provide the highest quality water and sewer services as affordably as possible.

I still have questions. Where can I get answers?

If you have any questions or comments, please feel free to e-mail us at:

sewer-water@cityofplacerville.org.

Or, you can call the City Office at (530) 642-5223.

We will be posting regular updates on our website, www.cityofplacerville.org.

I have a better solution to resolve this rate problem. Who should I contact?

Please call the City Office at (530) 642-5223. Or, e-mail us at sewer-water@cityofplacerville.org. We are very interested in any ideas you may have.