

FREQUENTLY ASKED QUESTIONS REGARDING THE TOWN'S WATER RATES

What do the Town's water service charges fund?

The Town operates and maintains a potable water distribution system to serve its residents and water users. It is a complex system with varying topography and 21 separate but interconnected pressure zones. The infrastructure network includes 108 miles of water mains, 18 water tanks, 14 water pump stations and over 7,500 various assets such as water meters, fire hydrants, and valves. The Town purchases its water from the San Francisco Public Utilities Commission (SFPUC). The Town pumps and delivers water to approximately 4,270 customers, nearly all of whom are single-family residential customers.

The revenue collected from the Town's water service charges is used to pay for the cost of providing water service and may not be used for any other purpose. The cost of providing water includes purchasing water, maintaining and replacing the infrastructure that treats and delivers the water, water utility personnel, and water conservation and efficiency and water demand management programs that ensure safe and reliable water to meet the demands of all water customers twenty-four hours a day, seven days a week. By state law, no municipality can charge more to a household or business than the actual cost of providing a service.

Why is the Town considering increasing its water rates?

The last five-year water rate schedule was took effect on May 1, 2017. Each year an annual review was conducted to determine if the scheduled rate increase was necessary for that year. Only two increases were made during the five-year schedule, an 8% increase on January 1, 2018, and a 3% increase on January 1, 2022. Increases were not implemented due to the SFPUC not adopting their scheduled increases.

The Town is now considering an increase to water rates after completing a cost-of-service study and rate study. The proposed increases address the SFPUC increases to purchase water and the costs to operate the water system and make capital improvements over the next five-years. The Town's water supply source, SFPUC, intends to raise the rates from \$4.10 per hundred cubic feet (HCF) to \$5.32 per HCF over the next five years. On July 1, 2022, wholesale rates increased from \$4.10 to \$4.75 per HCF. The cost of purchased water is approximately 36% of the Town's cost to operate the water system.

The Town is entirely reliant on the SFPUC for its potable water supply. The SFPUC manages a complex water supply system stretching from the Sierra to the City of San Francisco and includes a complex series of reservoirs, tunnels, pipelines, and treatment systems. The Hetch Hetchy watershed, an area located in Yosemite National Park, provides approximately 85% of SFPUC's total water needs. The SFPUC delivers treated wholesale water to the Town of Hillsborough primarily from

its Hetch Hetchy system, but also delivers water from local watersheds in Alameda County and the Peninsula.

The Town's capital improvement plans include an average annual expense of \$3.2 million over the projection period, demonstrating the Town's priority to continue to invest in its water system. Improvements include water mains, storage and pumping, and higher elevation connection of the water system. The Town has in place a Water Master Plan and in 2014 prepared an updated thirty-year Capital Improvement Project Plan to prioritize and address long-term capital projects. Based on this Plan, the revenue requirement projections show an increase in the contribution to reserves in FYE 2023 needed to fund the capital improvement program, which contains approximately \$16.5 million in cash-funded capital projects over the next five years. City Council has approved \$1.2 million of American Rescue Plan Act (ARPA) funding to support the "Highline" Water Pipeline development in FY 2022-23.

Why are the Town's rates higher than those imposed in neighboring communities?

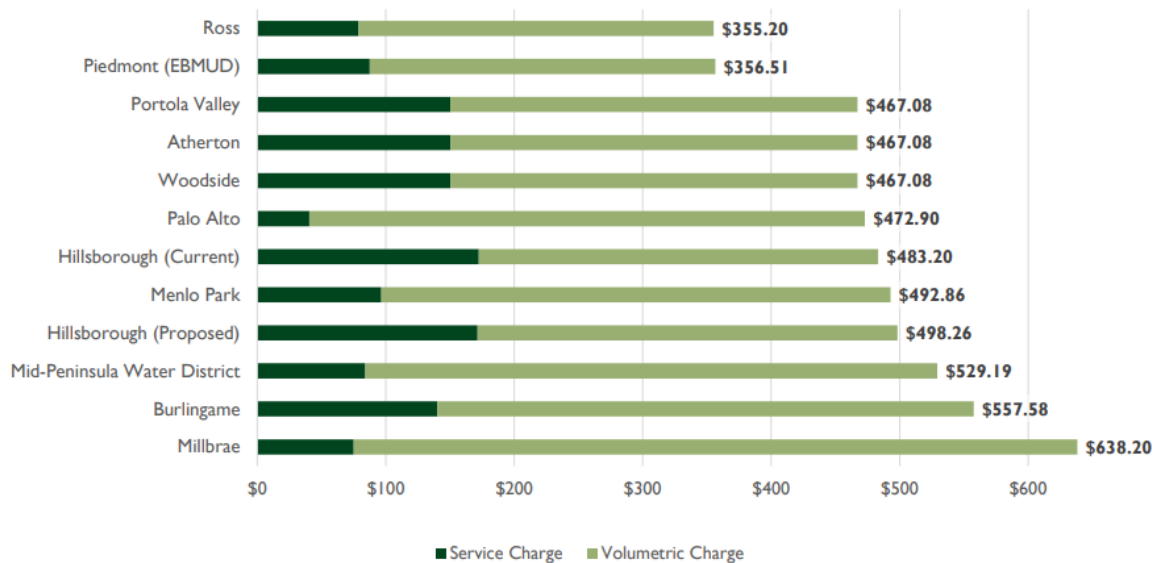
Comparing rates among neighboring jurisdictions is never an "apples-to-apples comparison." Rate structures and annual operating costs vary significantly among jurisdictions. The unique qualities of the Town's topography, size, and household density, among other things, reasonably result in the Town's rates being higher than surrounding communities. The Town's water system is complex for a system its size.

The steep topography results in numerous pressure zones, which in turn require more storage reservoirs and pumps. The operation of these storage reservoirs and pumps must be coordinated with sophisticated instrumentation and staff, leading to higher costs per household than neighboring communities. Most notably, lot sizes in Hillsborough are more than twice as large as our neighboring communities. Sparser development means that there is more infrastructure required per household, which raises the cost of service, but with fewer customers with whom to spread the cost.

In addition, capital improvement spending to renew and replace aging infrastructure differs significantly among communities depending on the system's size, age, and where in the spending cycle the neighboring communities may be.

During the next five-years, the Town will continue implementing the Water Master Plan, a 30-year plan that invests annually \$3.2 million to maintain and improve the water system infrastructure to improve reliability (e.g., reduce pipeline breaks and leaks). Delaying these needed improvements would result in higher costs to rate payers in the future.

WATER AGENCY BILL COMPARISON – AVERAGE USE



- Average bi-monthly Residential bills. Assumes a 1" meter, consumption of 44 HCF.



Hillsborough has just as many miles of water and sewer pipes as Burlingame, approximately 100 miles. But Hillsborough only has 1/3 of the population of Burlingame (and virtually no commercial) to offset the costs of the infrastructure. Hillsborough's hilly topography presents another challenge (pumping and pressure), and cost, to providing water services.

WATER AGENCY BILL COMPARISON

Jurisdiction	Water Mains		# of Connections	Linear Feet per Connection	Compared to Average
	Miles	Linear Feet			
Hillsborough	98	517,440	4,300	120.33	1.85x
Burlingame	100	528,000	8,700	60.69	0.93x
Cal Water - Mid-Peninsula Dist. [1]	383	2,022,240	35,000	57.78	0.89x
Cal Water - Bear Gulch Dist. [2]	289	1,525,920	18,000	84.77	1.30x
Millbrae	70	369,600	6,500	56.86	0.87x
Average (excl. Hillsborough)				65.03	1.0x

[1] San Mateo and San Carlos

[2] Atherton, Portola Valley, Woodside, parts of Menlo Park, parts of unincorporated Redwood City, West Menlo Park, Ladera, North Fair Oaks, and Menlo Oaks



Is there any impact to rates from the ongoing drought?

The State of California continues to experience drought conditions. In May 2022, Bay Area Water Supply & Conservation Agency (BAWSCA) issued reduced allocations to each member agency in order to reduce cumulative water purchase volume by 15% relative to FY 2019-20, and the Town is expected to reduce 16.2%. Drought considerations have been factored into the projection and fixed charges have been maintained at 30% of revenue to support revenue stability.

The Town also maintains a Revenue Stabilization Reserve to bridge a reduction in water consumption to maintain revenue stability without fully impacting the customer.

If requested, is the Town required to disclose the name, credit history, water usage data, home address, or telephone number of water customers?

High water use customers should be aware that under the California Public Records Act (Government Code section 6254.16(d)) the Town is required to release the name, home address and water usage data of customers using water inconsistent with or in violation of the Town's water shortage regulations, such as those set forth in its Municipal Code and the June 2015 urgency ordinance, if that data is requested pursuant to a Public Records Act request. If the Town receives a valid public records

request for information about any such violations, the Town is required to and will comply with the request, and the media may publish that information. The Town fully understands and is sensitive to customers' concerns about the release of their private information. To that end, the Town will only release information which is required to be released by law. The Town takes customer privacy very seriously and has a practice of never voluntarily releasing customer information to a third party unless required to do so by law.

What is Proposition 218?

Proposition 218 refers to a voter initiative adopted in 1996 that establishes procedures and substantive requirements for adopting new or increasing existing fees or charges for services such as water, sewer, and solid waste. Proposition 218 added articles XIII C and XIII D to the California Constitution. With Town water rates, Proposition 218 requires that the Town must follow a “protest” process to consider increasing fees or charges to maintain, operate and provide water services.

What are the procedural requirements in Proposition 218?

Procedurally, Proposition 218 requires that the Town hold a public hearing on the question of whether to adopt new rates for water and solid waste service, and mail notice to the record owner of property subject to the new rates at least 45 days prior to the public hearing.

At the public hearing, members of the public are allowed to provide oral testimony about the proposed rates. Additionally, property owners and customers that have accounts for such services with the Town are allowed to submit protests, provided those protests are in writing, against the proposed rate increase. If written protests are submitted on behalf of a majority of the separate parcels subject to the proposed rates, the Town is prohibited from adopting the new or increased rates.

Alternatively, if written protests are not submitted on behalf of a majority of parcels, the City Council may consider whether to adopt the proposed rates included in the Proposition 218 notice.

How is a majority protest determined?

Article XIII D, section 6(a)(2) of the California Constitution provides that a majority protest exists if written protests against the proposed fee or charge are presented by a majority of owners of parcels subject to the proposed rates. Additionally, Government Code section 53755(b) provides that only one written protest is counted for each parcel, whether the protest is filed by an owner or a tenant that has an account with the Town.

What are the requirements for a valid written protest?

The Town’s Proposition 218 notice sets forth the requirements for a valid written protest. The purpose of these requirements is to allow the Town to ensure that each written protest received was submitted by a person authorized to submit the

protest on behalf of the parcel. The reason for this is that only written protests submitted by a property owner or tenant directly liable for the payment of the proposed rates may be counted, and only one protest may be counted for each parcel.

Therefore, the Town requires that each written protest:

- State that the identified property owner or tenant is opposed to the proposed water rate adjustments and increases or solid waste rate adjustments and increases;
- Provide the location of the identified parcel (by street address, assessor's parcel number, or customer account number); and
- Include the name and signature of the property owner or tenant submitting the protest.

How can valid written protests be delivered?

Written protests may be delivered to the City Clerk by mail or in person at 1600 Floribunda Avenue, Hillsborough, California 94010. Written protests may also be hand delivered at the public hearing, provided they are received by the City Clerk prior to the close of the public hearing.

Can written protests be delivered via e-mail or other electronic means?

Because the Town must be able to verify that written protests are validly submitted by a person authorized to submit a written protest, electronic submissions will not be accepted. This practice is consistent with the Town's past Proposition 218 hearings, and is common practice amongst California agencies.

Will oral protests or comments be counted as written protests?

No, unless the oral comment is accompanied by a written protest. This is because Proposition 218 requires that protests be submitted in writing.

What happens if there is no majority protest?

If there is no majority protest, after the close of the public hearing, the City Council may consider and vote on whether to adopt the proposed rate increases and adjustments.

How can I learn more about the proposed water rates?

<https://www.hillsborough.net/503/Water-Rate-Cost-of-Service-Study> (Main webpage)

<https://www.hillsborough.net/DocumentCenter/View/5227/FAQs-Prop-218> (Frequently Asked Questions about 218)

<https://www.hillsborough.net/DocumentCenter/View/5125> (PowerPoint on Rates)

<https://www.hillsborough.net/DocumentCenter/View/5124> (rate study)