Proposed Water Rate Adjustments

The City of Stockton Municipal Utilities Department is committed to providing safe, secure and reliable water supplies for generations to come. Our priority, every day, is to provide our customers with the highest level of customer service and clean, safe, reliable drinking water in the most cost-effective way possible. Periodic rate adjustments are needed to:

- Maintain our facilities and systems to the highest standards;
- Ensure sufficient water supplies for current and future needs;
- Meet legally required debt service coverage obligations; and
- Fund ongoing utility operation costs and capital improvements.

Details about the proposed water rate adjustments are provided below.

Why are Rate Adjustments Necessary?

The City of Stockton recognizes that rate adjustments are difficult for our customers, especially during tough economic times. The City is working hard to minimize the need for rate adjustments.

The proposed water rate adjustments are driven by:

- Drought Conditions and Water Conservation—Drought conditions and State mandated water conservation measures have led to reductions in water consumption and revenue.
- Debt Service—Rates must pay for a portion of the debt service related to the capital financing.
- Cost of Securing Additional Water Supplies—in addition to the Delta Water Treatment Plant, the City of Stockton relies on other water sources, including the purchase of surface water from other water purveyors. The cost of those water supplies have increased substantially.
- Capital Improvement Projects—Operating and maintaining the water system requires sufficient funding for facility repairs and replacement to ensure that Stockton’s water infrastructure system remains in the best possible condition.
- Operations Costs—The ongoing operations costs of the water utility are projected to increase at inflationary levels even without changes to levels of service.

Proposed Water Rates

The City is proposing adjustments to both the amount and structure of current water rates. This chart indicates both the current water rate and proposed water rate for each of the next five years. For example, today’s average residential customer with a 1" meter, using approximately 10 units (1 unit of water equals 748 gallons) of water per month, will see their monthly water bill increase by a total of approximately $12.50, over a five year period, by 2020.

The proposed adjustments also change City water utility customers from what is commonly referred to as a uniform rate structure (all units of water cost the same) to a more conservation-based rate structure, referred to as a tiered rate structure. The chart provides an example of the proposed rate structure for residential City of Stockton water utility customers. Please see the City’s website for proposed rates for other classes of service, including multi-family and nonresidential users: www.stocktonca.gov/water.

<table>
<thead>
<tr>
<th>Meter Size</th>
<th>Present Water Rates</th>
<th>Proposed Water Rates</th>
</tr>
</thead>
<tbody>
<tr>
<td>5/8&quot;</td>
<td>$18.94</td>
<td>$29.10</td>
</tr>
<tr>
<td>3/4&quot;</td>
<td>$22.25</td>
<td>$29.10</td>
</tr>
<tr>
<td>1&quot;</td>
<td>$29.24</td>
<td>$30.72</td>
</tr>
<tr>
<td>1-1/2&quot;</td>
<td>$42.17</td>
<td>$30.72</td>
</tr>
<tr>
<td>2&quot;</td>
<td>$54.49</td>
<td>$30.72</td>
</tr>
<tr>
<td>Consumption Charge (per unit)</td>
<td>Present Water Rates</td>
<td>Proposed Water Rates</td>
</tr>
<tr>
<td>0-15 units</td>
<td>$2.15</td>
<td>$2.15</td>
</tr>
<tr>
<td>Above 15 units</td>
<td>$2.57</td>
<td>$2.57</td>
</tr>
</tbody>
</table>

Drought Stage July 1, 2016 July 1, 2017 July 1, 2018 July 1, 2019 July 1, 2020

- 0-15 units $0.25 $0.33 $0.41 $0.51 $0.61
- Above 15 units $0.25 $0.33 $0.41 $0.51 $0.61

*1 unit = 748 gallons

Following the specific rate adjustments identified in the above table, water rates may be adjusted annually by the City Council not-to-exceed amount equal to the Consumer Price Index (CPI) for All Urban Consumers, as reported by the U.S. Department of Labor, Bureau of Labor Statistics, for all items, U.S. City average.
Utility Rate Information
Public Meetings
The City of Stockton will hold three public meetings in the coming months to provide information about the proposed rate adjustment. Visit www.stocktonca.gov/mud for date and time information.

Note: In order for the proposed rate adjustments to “not take affect,” a majority of the property owners are required to file a written protest to the increase. Only one written protest per parcel filed by the property owner will be counted in calculating a majority protest. A protest must contain a description of the property sufficient to identify the property, and property owners must either be identified on the last equalized San Joaquin County assessment roll or provide proof of ownership.

Written protests may be mailed to or delivered in person to the City of Stockton Office of the City Clerk, 425 N. El Dorado Street, Stockton, CA 95202, at or before the close of the public hearing. Protests may also be submitted via email through Ask Stockton, the City’s electronic service request program, at www.stocktonca.gov.

Proposed Public Hearing
Tuesday, May 24, 2016
5:30pm
425 N. El Dorado Street
Stockton, CA 95202

Community Information
Presentations
Monday, April 25, 2016
6:00pm
Seifert Community Center
128 W. Benjamin Holt Drive

Monday, May 9, 2016
6:00pm
Merlo Gym
2021 Anne Street

Wednesday, May 18, 2016
6:00pm
Arnold Rue Community Center
5758 Lorraine Avenue

Este informe contiene información sobre su cuenta de agua. Es muy importante que entienda el material. Para ver la traducción de este informe vaya a la pagina www.stocktonca.gov/mud.

Comparison of Residential Monthly Water Bills at 20 units*

<table>
<thead>
<tr>
<th>Location</th>
<th>10 units</th>
<th>15 units</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tracy</td>
<td>$41.30</td>
<td></td>
</tr>
<tr>
<td>Modesto</td>
<td>$49.33</td>
<td></td>
</tr>
<tr>
<td>Manteca</td>
<td>$57.85</td>
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</tr>
<tr>
<td>Stockton (Current)</td>
<td>$62.64</td>
<td>$45.94</td>
</tr>
<tr>
<td>Stockton (Fiscal Year 2016-2017)</td>
<td>$74.23</td>
<td></td>
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<tr>
<td>Pleasonton</td>
<td>$86.04</td>
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<tr>
<td>Lathrop</td>
<td>$91.55</td>
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</tr>
<tr>
<td>Cal Water - Stockton</td>
<td>$92.16</td>
<td></td>
</tr>
<tr>
<td>Brentwood</td>
<td>$102.87</td>
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</tr>
</tbody>
</table>

*1 unit = 748 gallons

Conserving water reduces your bill. For tips and information about how to reduce your indoor and outdoor water use, please visit: www.stocktonca.gov/savewater

PRESORT STD U.S. POSTAGE PAID STOCKTON, CA