TO: Honorable Mayor and Members of the City Council
ATTENTION: Michael J. Egan, City Manager
FROM: Leo L. Mingle, Jr., Assistant City Manager
SUBJECT: Public Hearing to Consider Adoption of Increased Water Rates Charged Customers of the City of Bellflower's Municipal Water System (MWS)

RESOLUTION NO. 09-xx - A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF BELLFLOWER ESTABLISHING RULES AND REGULATIONS FOR THE CITY OF BELLFLOWER MUNICIPAL WATER SYSTEM AND RESCINDING RESOLUTION NO. 08-32

DATE: November 9, 2009

RECOMMENDATION

1. If at the close of the public hearing the number of potential protests received is greater than 50% of the number of customers of record, the City Council should:
   a. Continue consideration of the proposed Resolution to the next City Council meeting;
   b. Direct the City Clerk and City Attorney to determine the number of valid protests; and
   c. Direct the City Manager to suggest alternative solutions for balancing the Municipal Water System budget in the event of a successful protest.

2. If after closing the public hearing, the number of potential protests received is not greater than 50% of the number of customers of record, the City Council should adopt Resolution No. 09-xx, effective on November 16, 2009, increasing water rates and making minor changes to the Rules governing the operation of the Municipal Water System.

3. Issue a Minute Order approving the proposed 2009-2010 Municipal Water System Operating budget and directing the City Manager to amend the City's 2009-2011 Operating Budget accordingly.

FISCAL IMPACT

The proposed rate increase would generate an estimated $30,423 in additional revenue for fiscal year 2009-10 (during the remaining period of approximately seven months). The additional revenue over a 12-month period is estimated at $52,153. If the proposed rates are adopted, the average residential customer's water bill would increase by 3.5% or approximately $28.62 per year, or $4.77 bimonthly, or $2.38 per month.
On an ongoing basis since the City’s acquisition of the Municipal Water System, the City has 1) advanced money to cover the MWS’ cash deficit; 2) foregone interest on monies advanced to the water operator; 3) absorbed City personnel costs for System management; and 4) funded ratepayer assistance programs. The following table summarizes those expenditures:

<table>
<thead>
<tr>
<th>Cumulative City General Fund Expenditures for MWS</th>
<th>2006-07 Actual</th>
<th>2007-08 Actual</th>
<th>2008-09 Actual</th>
<th>2009-10 Proposed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advance for MWS Cash Deficit</td>
<td>$276,595</td>
<td>$309,721</td>
<td>$663,024</td>
<td>&gt;$663,024</td>
</tr>
<tr>
<td>City Staff &amp; Foregone Interest</td>
<td>$55,000</td>
<td>$165,000</td>
<td>$275,000</td>
<td>$385,000</td>
</tr>
<tr>
<td>Ratepayer Assistance Programs</td>
<td>$0</td>
<td>$2,944</td>
<td>$10,448</td>
<td>$30,448</td>
</tr>
<tr>
<td><strong>Sub-Total</strong></td>
<td><strong>$331,595</strong></td>
<td><strong>$477,665</strong></td>
<td><strong>$948,472</strong></td>
<td><strong>$1,078,472</strong></td>
</tr>
<tr>
<td>Advance for High Capacity Well</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$508,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$331,595</strong></td>
<td><strong>$477,665</strong></td>
<td><strong>$948,472</strong></td>
<td><strong>$1,586,472</strong></td>
</tr>
</tbody>
</table>

**BACKGROUND**

The City of Bellflower established the Municipal Water System (MWS) in 2007, subsequently hiring Bellflower-Somerset Mutual Water Company (Operator) to manage the day-to-day operations for the City. The Municipal Water System 2009 Annual Report summarizes current operations, historical data, and upcoming capital projects (Attachment 2).

**PROPOSED RATE CHANGE (RULES 3 – 5)**

1. **Determination of Water Rates.** The Operator is required to annually provide the City with a schedule of proposed water rates for the coming year that is designed to produce the minimum revenue needed to cover projected operating costs. The MWS' proposed 2009-2010 Operating Budget and the Operator’s Annual Water Rate Determination for 2009-2010 are attached (Attachments 3 and 5).

2. **Proposed Water Rates.** The proposed rate increase is applied equally to the fixed service charge and variable commodity charge. Approximately 57% of water revenues are collected through the fixed service charge and 43% through the variable commodity charge (Attachment 4).

a. **Commodity Charge for Potable and Reclaimed Water.** The commodity charge is the rate charged per 100 cubic feet of water actually used:

<table>
<thead>
<tr>
<th>Service</th>
<th>Per 100 Cubic Feet of Water</th>
<th>Current</th>
<th>Proposed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Potable Water Metered Service</td>
<td>$ 2.133</td>
<td></td>
<td>$2.208</td>
</tr>
<tr>
<td>Reclaimed Water Metered Service</td>
<td>$ 1.419</td>
<td></td>
<td>$1.469</td>
</tr>
</tbody>
</table>
b. **Service Charge for Potable and Reclaimed Water.** The service charge is a charge which is applied to each metered service and is in addition to the commodity charge. The service charge covers utility costs, labor, and the cost for equipment and materials, reading meters, preparing and mailing bills and notices, repair and maintenance to the water system, and other fixed costs of providing service. The following service charges apply to both potable and reclaimed water metered service:

<table>
<thead>
<tr>
<th>Meter Size</th>
<th>Number of Potable Water Meters</th>
<th>Per Meter Per Month</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Current</td>
</tr>
<tr>
<td>For 5/8 x 3/4 inch meter</td>
<td>1,765</td>
<td>$35.87</td>
</tr>
<tr>
<td>For 3/4 inch meter</td>
<td>22</td>
<td>$54.87</td>
</tr>
<tr>
<td>For 1 inch meter</td>
<td>8</td>
<td>$89.73</td>
</tr>
<tr>
<td>For 1 ½ inch meter</td>
<td>3</td>
<td>$179.40</td>
</tr>
<tr>
<td>For 2 inch meter</td>
<td>15</td>
<td>$287.06</td>
</tr>
<tr>
<td>For 3 inch meter</td>
<td>1</td>
<td>$538.22</td>
</tr>
<tr>
<td>For 4 inch meter</td>
<td>1</td>
<td>Fire Service Only - see Rule 6.c</td>
</tr>
<tr>
<td>Total</td>
<td>1,815</td>
<td></td>
</tr>
</tbody>
</table>

The Municipal Water System also provides reclaimed water to three meters (two 2-inch meters and one ¾-inch meter, all serving the City of Bellflower).

c. **Commodity Charge and Service Charge for Fire Protection Systems.** For all water service furnished to privately owned fire protection systems, per inch diameter of service connection, per meter, per month:

- Current - $15.14
- Proposed - $15.67

No change is proposed to the current $45 monthly minimum charge if domestic water service is not provided to the subject property by the City.

The Municipal Water System currently provides water to one privately-owned fire protection system.

**OTHER RULE CHANGES**

7. **Fees and Penalties.** No changes are proposed to previously adopted fees and penalties.

8. **Other Rule Changes.** Some minor changes are proposed to other previously adopted rules. These include:

a. Rule 14 – change to requirements for security deposits and determination of credit worthiness, and refund of deposits.

b. Rules 14, 54, 56.c and 58 – clarification to prohibitions on unauthorized connections and unauthorized use of fire hydrants, the period for unscheduled or emergency turn-on or turn-off of water service, and the prohibition on tampering or destruction of equipment.
MAJORITY PROTEST

In accordance with Proposition 218 (as implemented by Assembly Bill 1260), on September 24, 2009, notice of this Public Hearing was sent to each customer of record as shown on the application for water service on file at the Municipal Water System office (i.e., the person(s) to whom the water bill is addressed), along with “2009 Water Rate Increase: Questions & Answers” (Attachments 6 and 7).

Proposed increases are subject to “majority protest.” Any customer of record may file a written protest with the City Clerk at or before the time set for the public hearing.

1. A valid protest must include:
   - The name of the customer of record; and
   - Identification of the property by either assessor’s parcel number or street address; and
   - A statement of protest (“I/we protest” will suffice); and
   - The original signature of the protesting customer (photocopies will not be accepted).

2. Please note each customer of record for the same account will be counted as a single vote, regardless of the number of persons listed on the application for water service. Multiple protests by a single customer of record will not be allowed and the City Clerk will only accept one protest per customer of record.

3. If a majority of such customers of record submits written protests opposing the proposed increase, the rate will not be increased. Presently there are 1,815 customers of record; a majority of that number is 908.

Attachments:

1. Resolution No. 09-xx ................................................................. xx
3. Proposed MWS 2009-2010 Operating Budget ........................................ xx
4. MWS Schedule of Proposed Water Rates for 2009-2010 ................................ xx
5. Operator’s Annual Water Rate Determination for Fiscal Year 2009-2010 ............ xx
6. Notice of Water Rate Increase ...................................................................... xx
7. 2009 Water Rate Increase: Questions & Answers ........................................ xx

Doc 210473
CITY OF BELLFLOWER
RESOLUTION NO. 09-xx

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF BELLFLOWER ESTABLISHING RULES AND REGULATIONS FOR THE CITY OF BELLFLOWER MUNICIPAL WATER SYSTEM AND RESCINDING RESOLUTION NO. 08-32

WHEREAS, the City Council wishes to increase certain water rates to recover its costs of acquisition and operations; and

WHEREAS, the City Council wishes to consolidate the previously adopted rules with the new rates to assure the safe and efficient operation of the water system.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF BELLFLOWER HEREBY RESOLVES AS FOLLOWS:

SECTION 1. Resolution No. 08-32 is hereby rescinded in its entirety.

SECTION 2. The purpose of this resolution is to set water rates and establish general rules and regulations for service and the extension of service from the City water system, and to promote the public health, safety and general welfare of the users of the system, in accordance with the standards established by the City, County, State and Federal governments.

SECTION 3. The following water rates, charges, rules and regulations are hereby established and adopted for the City’s water service and for water provided to each active service connection served by the City:

Rules

1 Definitions
2 Applicability
3 Water Rates for Potable Water Metered Service
4 Water Rates and Rules for Reclaimed Water Metered Service
5 Water Rates and Rules for Fire Protection Systems
6 Access to Property
7 Application for Water Service
8 Rates Subject to Change
9 Water Consumption Restrictions
10 Effect of Vacancy
11 Future Connections
12 Connection to Water Main
13 Service Connection Deemed Active
14 Security Deposits for Water Service
15 Unauthorized Connections
16 Special Contracts
17 Unusual Customer Requirements
18 Main Extensions
19 Maintenance of Service Connections and Extensions
20 Installation and Maintenance Responsibilities
21 Water Meters – Ownership
22 Water Meters – Placement – Inspection
23 Defective Service Extension
24 Insufficient Pressure and Capacity
25 Change in Size or Location of Service Connection
26 Nonstandard Water Service
27 Ownership, Repair and Replacement of Facilities
28 Conforming Private Pipes
29 Shut-Off Valve Required
30 New Pipes
31 Refusal of Service
32 City Meter Valve
33 Damage to City Property
34 Emergency Service to Other Property
35 Damage by Hot Water
36 Removal, Replacement and Repair
37 Effective Date of Contract and Rates
38 Turn-On – New Installation
39 Location Change – Cost
40 Charges for Metered Service
41 Meter Reading and Billing
42 Bills – Minimum Charge
43 Application of Payment
44 Termination of Service for Unpaid Charges
45 Termination of Service for Noncompliance
46 Termination of Service – Voluntary
47 Penalties for Late Payment
48 Fees and Penalties for Termination or Restoration of Water Service
49 Collection of Unpaid Charges – Unpaid Charges Deemed Lien
50 Billing Disputes – Responsible Party – Reduced Water Charges in Special Cases
51 Meter Testing – Adjustment of Bill
52 City Liability
53 Dishonored Checks
54 Fire Hydrants; Unauthorized Use of Water
55 Fire Hydrant for Construction Purposes
56 Water Turn-On and Turn-Off Fees
57 Order for Turning Water On and Off
58 Tampering or Destruction of Equipment Prohibited
59 Violation – Correction of Conditions
60 Loss or Damage in Line
61 Cross-Connections – Backflow Prevention
62 Water Mains
63 New Subdivisions
64 Restrictions
65 Water Conservation Measures
1. **DEFINITIONS.** For the purposes of this resolution, certain words and phrases are defined. When not inconsistent with the context, words used in the present tense shall include the future; the singular number shall include the plural and the plural the singular; the masculine pronoun shall include the feminine; and the word "shall" is mandatory and not merely permissive. Where used herein:

"Billing Cycle" means the interval between water bills. The established billing cycle is bimonthly.

"Billing Date" means the date printed on the bimonthly water bill, normally the same date as that on which the bill is mailed.

"Bimonthly" means the period consisting of two months or approximately sixty (60) days.

"City Manager" means the City Manager of the City of Bellflower.

"City" means the City of Bellflower. As used in the Rules, "City" shall also include any Water System Operator for those items which have been contracted for or delegated to such Operator by the City.

"Commodity Charge" means the rate charged per 100 cubic feet of water used, as established by resolution of the City Council.

"City Council" means the City Council of the City of Bellflower.

"Cross-connection" means any connection, or possible connection, between any part of the water system and any source or system containing water or any substance that is not or cannot be approved as safe, wholesome, and potable for human consumption.

"Customer" means the owner, tenant or other occupant of the property who has established the service connection.

- "Commercial Customer" means any customer who is neither a residential customer nor the customer for service to a multifamily residential structure served by a master meter.

- "Customer(s) of Record" means the person or persons named on the application for water service on file with the City and who is thereby responsible for paying the water bill.

- "Residential Customer" means any customer occupying a dwelling unit in any structure where each unit is served by a separate water meter.
“Dwelling unit” means one or more rooms designed or used by an individual or family for residential purposes, including, without limitation, a house, apartment, condominium unit or duplex unit, having water use facilities equivalent in extent to a normal dwelling.

“Monthly” means the period consisting of one month or approximately thirty (30) days.

“Multifamily dwelling” means a building designed or used to house two or more families living independently of each other.

“Occupancy” means the purpose for which a building, or part thereof, is used or intended to be used.

“Owner” means the owner of the property at which the service connection is located, or his/her authorized agent.

“Person” means any individual, firm, company, public entity, association, society, corporation, partnership or group.

“Projected Average Cost” means the cost of similar service to similar users as determined by the City at its sole discretion.

“Proposed Developments That Include Housing Units Affordable to Lower Income Households” is as defined by California Government Code Section 65589.7(d)(1), as currently written or hereafter amended, and which currently provides as follows: “Proposed developments that include housing units affordable to lower income households’ means that dwelling units shall be sold or rented to lower income households, as defined in Section 50079.5 of the Health and Safety Code, at an affordable housing cost, as defined in Section 50052.5 of the Health and Safety Code, or an affordable rent, as defined in Section 50053 of the Health and Safety Code.”

“Rule” shall mean any of the rules and regulations herein enumerated herein that may be individually or collectively referred to as “Rule” or “Rules” (i.e., Rule 1, Rule 48.c, Rule 53.a.7, etc.).

“Service Charge” means a charge which is applicable to all metered service to provide reimbursement to the City for the costs of services related to the supplying of water to the property but which are not directly related to the amount of water utilized at a site but, instead, are otherwise appropriately apportioned to the customer, as established by resolution of the City Council.

“Service Connection” means the water line and appurtenant facilities used to extend water service from the water main to the meter box.

“Service Extension” means the water line and appurtenant facilities used to extend water service from the meter to the customer’s premises.
"Water Manager" shall mean that individual appointed by the City Manager to coordinate on behalf of the City with the Water System Operator for the day-to-day operation of the Water System, and to represent the City in related regulatory matters.

"Water Service Area" means that area of the City in which the Water System provides water service.

"Water Service" or "Water Services" means supplying service through a pipe or other constructed conveyance for any purpose, but does not include the sale of water for human consumption by a water supplier to another water supplier for resale.

"Water System" means the infrastructure of the City's water system only.

"Water System Operator" or "Operator" means any party with whom the City contracts for the operation of the water system, or to whom the City has delegated specific responsibilities for the operation of the water system. The Water System Operator shall be deemed an authorized representative of the City for all purposes contracted for or delegated to such person.

2. **APPLICABILITY.** The Rules apply to all water services provided by the City, and to all work performed on the water system.

3. **WATER RATES FOR POTABLE WATER METERED SERVICE.** For all potable water metered service:

   a. A commodity charge of $2.208 per 100 cubic feet of water used.

   b. A service charge as follows:

<table>
<thead>
<tr>
<th>Service Charge:</th>
<th>Per Meter Per Month</th>
</tr>
</thead>
<tbody>
<tr>
<td>For 5/8 x 3/4 inch meter</td>
<td>$37.13</td>
</tr>
<tr>
<td>For 3/4 inch meter</td>
<td>$56.79</td>
</tr>
<tr>
<td>For 1 inch meter</td>
<td>$92.87</td>
</tr>
<tr>
<td>For 1 1/2 inch meter</td>
<td>$185.68</td>
</tr>
<tr>
<td>For 2 inch meter</td>
<td>$297.11</td>
</tr>
<tr>
<td>For 3 inch meter</td>
<td>$557.06</td>
</tr>
</tbody>
</table>

4. **WATER RATES AND RULES FOR RECLAIMED WATER METERED SERVICE.** For reclaimed water metered service:

   a. A commodity charge of $1.469 per 100 cubic feet of water used.
b. A service charge as follows:

<table>
<thead>
<tr>
<th>Service Charge:</th>
<th>Per Meter Per Month</th>
</tr>
</thead>
<tbody>
<tr>
<td>For 5/8 x 3/4 inch meter</td>
<td>$37.13</td>
</tr>
<tr>
<td>For 3/4 inch meter</td>
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<tr>
<td>For 2 inch meter</td>
<td>$297.11</td>
</tr>
<tr>
<td>For 3 inch meter</td>
<td>$557.06</td>
</tr>
</tbody>
</table>

c. All users shall be approved to use reclaimed water by the City and the Los Angeles County Department of Health Services.

d. By reason of circumstances beyond the control of the City or for the protection of the public, safety, and welfare of the users, service may be interrupted on a temporary basis. Reclaimed water will be supplied only as available from the Central Basin Municipal Water District.

e. Backflow prevention devices must be installed on all potable water services supplying the premises using reclaimed water.

f. Users must comply with all rules, regulations, and conditions set forth in the User Manual as reviewed and accepted by the California Department of Public Health and the Los Angeles County Department of Health Services.

5. WATER RATES AND RULES FOR FIRE PROTECTION SYSTEMS. For all water service furnished to privately owned fire protection systems:

a. For each inch of diameter of service connection: $15.67 Per Meter Per Month

b. The fire protection service and connection shall be installed by the City or under the City's direction. The cost for the entire fire protection installation excluding the connection at the main shall be paid for by the applicant. Such payment shall not be subject to refund.

c. The expense of maintaining the private fire protection facilities on the applicant's premises (including the vault, meter and backflow device) shall be paid for by the applicant.

d. All facilities paid for by the applicant shall be the sole property of the applicant. The City and its duly authorized agents shall have the right of ingress to, and egress from, the premises for all purposes in relation to said facilities.

e. The minimum diameter for fire protection service shall be one inch and the maximum diameter shall be not more than the diameter of the main to which the service is connected.
f. If a distribution main of adequate size to serve a private fire protection system in addition to all other normal service does not exist in the street or alley adjacent to the premises to be served, then a main extension from the nearest existing main of adequate capacity shall be required by the City. Such cost shall be borne by the applicant and shall not be refundable.

g. Service hereunder is for private fire protection systems to which no connections for other than fire protection purposes are allowed and which are regularly inspected by the underwriters having jurisdiction. All facilities are to be installed according to the City's specifications and maintained to the City's satisfaction. The City may require the installation of a backflow prevention device and a standard detector type meter approved by the insurance carrier and California Department of Public Health.

h. No structure shall be built over the fire protection service and the owner shall maintain and safeguard the area occupied by the service from traffic and other hazardous conditions. The owner will be responsible for any damage to the fire protection service facilities.

i. Subject to the approval of the City, any change in the location or construction of the fire protection service as may be requested by public authority or the owner will be made by the City following payment to the City of the entire cost of such change.

j. Any unauthorized use of water through the fire protection service will be charged for at the applicable rates and may be grounds for the City's discontinuing fire protection service without liability to the City or Water System Operator, and their officers, agents, employees, or contractors.

k. The City will supply only such water at such pressure as may be available from time to time as a result of its operation of the system. The customer shall indemnify the City, the Water System Operator, and their officers, agents, employees, and contractors, and save and hold them harmless against any and all claims arising out of service under this schedule and shall further agree to make no claims against the City, the Water System Operator or their officers, agents or employees for any loss or damage resulting from service under this rate schedule.

l. The owner shall be responsible for the periodic testing of any backflow prevention devices, as required by public authority or the City. Any repair or replacement of such devices or of any other facilities installed to provide private fire protection service shall be done at the owner's expense. Any refusal to comply with the above requirements may be grounds for the City's disconnecting private fire protection service without liability to the City, or Water System Operator, and their officers, agents, employees, and contractors.

m. If any person shall use such fire service for other than fire purposes, the City is hereby authorized and directed to collect the sum of $150.00 for each such use, and to enforce this provision by cutting off all water service to the property whereon such
use occurs. When water is cutoff by virtue of this provision, no further water shall be served to such property until the aforementioned sum is paid, provided that the City Manager may, on application of any person aggrieved by this action of the City hereunder, remit the charge or such part thereof as may appear just.

n. Whenever private fire protection is provided there shall be a monthly minimum charge of $45.00 if domestic water service is not provided to the subject property by the City.

6. ACCESS TO PROPERTY. The City’s authorized and identified representatives or employees shall have access to the Customer’s premises at all reasonable times for the purpose of reading meters, inspecting, testing, repairing, removing, exchanging, or otherwise giving necessary attention to all equipment belonging to the City. In case any authorized representative or employee is refused admittance to any premises, or after being admitted is hindered or prevented from making such examination, the City Manager or his/her designee may cause the water services to be turned off, to enforce the provisions of the Rules.

7. APPLICATION FOR WATER SERVICE.

a. Application - Generally. Any person desiring to have water service turned on or premises connected with the water system shall make application to the City on printed forms to be provided for that purpose. Every application shall be signed by the owner of the property to be benefited or on which the water is to be used, or by his authorized agent, and the applicant shall agree to comply with all applicable rules and regulations which have been established from time to time, by the City. The applicant shall further agree, as a condition precedent to the furnishing of water, that the City shall have the right, after giving reasonable notice, to shut off the water supply for repairs, extensions, nonpayment of rates or for any other reason relating to the operation of the water system, and that the City shall not be responsible for any damage caused by the breaking, bursting, leaking or collapsing of any boilers, pipes, fixtures, water heating appliance, or other thing, or by the stoppage or interruption of the water supply or any damage of any kind resulting directly or indirectly from the shutting off or interruption of water supply and/or service.

If a customer is 65 years of age or older, or is a dependent adult as defined in paragraph (1) of subdivision (b) of Section 15610 of the Welfare and Institutions Code, such customer may designate in his/her application a third party to whom notification is to be sent when the customer’s account is past due and subject to termination. The City shall provide a form for such third-party notification, which must be submitted with the written consent of the designated third party. Third-party notification shall not obligate the third party to pay any overdue charges, nor shall it prevent or delay termination of service.

b. Application – Existing Service. Every application for water service to any premises previously served by the water system shall contain an address to which service is desired and fully state the purpose for which the water is to be used.
time of filing such application, the applicant shall pay to the City 1) the actual cost for processing the application, 2) and required security deposit.


1. Every application for water service to any premises not previously served by the water system shall contain a description of the premises where such water supply is desired, fully state the purpose for which the water is to be used, and state the size of the service pipe to be connected thereto. At the time of filing such application, the applicant shall pay to the City 1) the actual cost for processing the application, 2) the estimated actual cost for installation of water service, and 3) and required security deposit.

2. Application for water for new houses or any premises not heretofore provided with water must be accompanied by a deposit in the amount prescribed herein for the particular size of service and meter required.

d. New Application Required for New Purpose. Should the applicant or occupant of the premises desire to apply the water for a purpose not stated in the original application, a new application must be made.

e. Application – Form. Application for service shall be on the forms as prescribed by the City. The application shall constitute a contract whereby the applicant agrees to conform to the provisions of the Rules, as now enacted or hereafter amended.

8. RATES SUBJECT TO CHANGE. Except for special contracts, which specify the length of time to which the contract rate shall be extended, all rates, rules and regulations are subject to change or modification by the City in accordance with California law.

9. WATER CONSUMPTION RESTRICTIONS. No person supplied with water from the water system shall be permitted to use it for any purpose other than that stated in the application, or to supply it in any way to other persons or premises, except as expressly provided by the Rules. Water service may be discontinued to any person or premises for violations of this section.

10. EFFECT OF VACANCY. When a location to which water service is provided is vacated, whether residential or commercial, the Service Charge shall be charged and collected from the customer of the account relating to such location, whether water is used or not, unless service is terminated by the customer in accordance with these Rules.

11. FUTURE CONNECTIONS. In making all future connections with the water system, each individual building shall be considered an individual consumer and shall be supplied through a separate service connection and meter except as provided for by the Rules. As used in this section, the term "future connection" shall include any and all connections hereafter made, and may include, at the discretion of the City, the modification of existing connections.
12. CONNECTION TO WATER MAIN.

a. Upon the receipt of the connection charges, the City shall cause the premises described in the application to be connected with the City’s water main by a service pipe extending from the main to the meter box, which connection shall thereafter be maintained and kept within the exclusive control of the City.

Service pipes will be laid from the main to a point inside the nearest curb line where a curb cock and meter will be installed. Installation and maintenance of all pipes on the property side of the meter shall be performed by the owner.

b. Except as provided in Subsection c, below, each unit in a multi-unit structure or in multiple habitable structures on a single property shall have its own meter.

c. A single service line may be allowed to a multi-unit structure or multiple habitable structures on a single property, provided that one customer has agreed in writing to assume and be responsible for and pay the total water bill without any deductions for vacancies or other reasons. Notwithstanding the foregoing, this Rule shall not be deemed to foreclose the City from requiring, in connection with any other discretionary review or permit, that each unit within a building obtain service through a separate customer and be supplied through a separate service connection and meter from any other unit in that building.

d. Charges collected by the City for installation of services and meters are determined on the basis of the service provided and the service pipes and water meters installed shall remain at all times as property of the City. They shall be maintained, repaired, and renewed by the City when rendered unserviceable through ordinary wear and tear; provided, however, that where replacements, repairs, or adjustments are rendered necessary by any act, negligence, or carelessness of the customer or any member of his/her family or any representative or person in his/her employ, any expense caused to the City thereby shall be charged against and collected from the customer.

e. Charges for installation of water services and meters shall be on an actual cost basis as determined by the City Manager or his designee, in his sole discretion, and to reimburse the City for the full cost of material, labor, and equipment used, including supervision and overhead. A payment equal to the estimated actual cost of installations shall be made with the City before any work is commenced. Upon completion of work, a final accounting of cost will be made and any amount over or under the amount collected be refunded to or collected from the applicant.

13. SERVICE CONNECTION DEEMED ACTIVE. A service connection shall be deemed active unless the customer has notified the City in writing that the service connection is to be rendered inactive.
14. SECURITY DEPOSITS FOR WATER SERVICE.

a. **Existing Customers in Good Standing.** Existing customers in good standing will not be required to make any security deposits in addition to that (if any) previously made.

b. **Existing Customers Whose Water Service is Turned Off for Non-Payment.** A customer whose water service is turned off for non-payment will be required to make a security deposit the same as required of a new customer prior to restoration of water service.

c. **New Customers – Commercial.** All new commercial customers will be required to make a security deposit equal to the projected average cost of two (2) billing cycles. If the actual use significantly exceeds the projected average cost, an additional security deposit equal to two (2) billing cycles of actual use may be required.

d. **New Customers – Master Metered Residential Over Four Units.** Any new customer for a multifamily residential building of over four units which is served by a master meter may be required to make a security deposit of up to six months of the projected average cost of services. The City may also waive the security deposit requirement, at its sole discretion.

e. **New Customers – Residential and Master Metered Residential Four or Fewer Units.** All new residential customers and all new customers for a multifamily residential building of four or fewer units which is served by a master meter will be required to make a security deposit based on their individual creditworthiness as determined by the City, and otherwise governed by the provisions of Section 10009.6 of the California Public Utilities Code (i.e., the amount of the security deposit may not exceed twice the estimated average periodic bill).

f. **Amount of Security Deposit – Residential Customers and Master-Metered Residential Customers of Four or Fewer Units.** The Water System Operator will determine the amount of the security deposit for new and existing residential customers and master-metered residential customers of four or fewer units required to make a security deposit, not to exceed twice the estimated average periodic bill.

g. **Determination of Credit Worthiness.** The Operator, acting for the City, will establish the creditworthiness of new and existing customers by conducting a credit check using a nationwide consumer credit reporting service as determined by the Operator. Customers with a FICO score of 750 or above will not be required to make any security deposit, those with a score of 749 and below will be required to make a security deposit. The Operator will recover its direct costs to conduct any credit check from the prospective customer. Customers unwilling or unable to furnish the information needed to determine their creditworthiness will be required to pay a security deposit.
h. **Refund of Security Deposits.** Security deposits will be refunded upon request to customers able to demonstrate creditworthiness per Rule 14.g.

15. **UNAUTHORIZED CONNECTIONS.** Unless the prior written approval of the City is first obtained, it is unlawful for any person to make any direct or indirect connection with any City water main, conduit, or pipe belonging to or under control of the City, or to turn off water service provided through the municipal water system on or off (BMC 13.04.010). Any such unauthorized connections are subject to an administrative fine in an amount not to exceed $500.00 and to criminal penalties under BMC 13.04.010 and California Penal Code Section 498.

16. **SPECIAL CONTRACTS.** The City reserves the right to make special contracts, the provisions and conditions of which may be different from or have exception to the regular published rates. Such special contracts shall be in writing, approved by the City Council and signed by proper officials and the customer to be served.

17. **UNUSUAL CUSTOMER REQUIREMENTS.** When a customer’s requirements for water are unusual, or large, or necessitate considerable special or reserve equipment or special consideration, the City may require a contract for an extended period, and may also require the customer to furnish security satisfactory to the City to protect the City against loss and guarantee the performance of the provisions of the contract. The City shall require or cause to be prepared a capacity analysis performed by an engineer licensed by the State of California for requests for water service for new development that would create an undue hardship on the existing water system’s ability to provide adequate supply. Based on information presently available to the City, including the size and condition of the water system, this is generally four (4) units or greater. The criteria to be used and goals to be achieved through the capacity analysis shall be established by the City. The cost of the capacity analysis shall be the sole responsibility of the property owner.

18. **MAIN EXTENSIONS.** Where a reimbursement agreement exists between the City and any person providing for recovery by that person of part or all of the costs of a main or extension of a main paid for and installed by such person from persons utilizing the main (other than the City), in addition to the standard connection charges, a charge shall be made in such amounts as may be determined by the agreement or otherwise determined by a separate resolution of the City Council for each service connection to such main or extension of the main.

19. **MAINTENANCE OF SERVICE CONNECTIONS AND EXTENSIONS.** The City will maintain all existing, and construct all new, service connections, including the meter facilities, except as otherwise set forth in these Rules. The service extension shall be installed and maintained by the customer at his own expense and in accordance with the standards established by the City.
20. INSTALLATION AND MAINTENANCE RESPONSIBILITIES.

a. The customer shall, at his own risk and expense, furnish, install and maintain in safe condition all equipment constituting the service extension that may be required for receiving, controlling, and utilizing water. The City shall not be responsible for any loss or damage caused by the improper installation, maintenance, wrongful acts, or negligence of the customer or any of his tenants, agents, employees, contractors or licensees, in installing, maintaining, using or operating such equipment.

b. The City and the Water System Operator shall not be responsible for any damage to property caused by spigots, faucets, valves, and other equipment that may be open when service is turned on at the meter in the original installation, or when restoration of service is made after a temporary shutdown.

21. WATER METERS—OWNERSHIP. All meters installed on water service connections by the City shall be and remain the property of the City whether installed on public or private property, and shall be operated or removed only by the City.

22. WATER METERS—PLACEOMETRY INSPECTION.

a. The location of the meter or meters used in measuring the customer’s use of water must be in a place satisfactory to the City before service will be supplied.

b. The applicant, as a condition of his contract for water service, guarantees access to the meter for purposes of reading and maintenance thereof.

c. The City will pay no rent or other compensation to install or maintain meter and appurtenant facilities located on customer’s premises.

23. DEFECTIVE SERVICE EXTENSION. The City may immediately shut off any service whenever such service extension lines develop leaks, or their condition is such as to constitute a danger to the domestic water supplies of the City. Such service shall remain shut off until such lines are properly repaired and replaced.

24. INSUFFICIENT PRESSURE AND CAPACITY. When the premises for which water is sought does not abut a main with sufficient pressure and capacity to provide the required flow to the property line, the application for service may be rejected. The City does not guarantee any pressures or flows to be provided to any premises.

25. CHANGE IN SIZE OR LOCATION OF SERVICE CONNECTION. When the expansion, replacement, or removal of an existing building results in a need to increase or decrease the size or change the location of the existing service connection, or where a service connection to any premises is abandoned or no longer used, the City may remove the existing service connection, after which, should a service connection be required to the premises, a new service shall be placed only upon the owner making an application and paying for a new service connection in accord with all requirements of the Rules.
26. NONSTANDARD WATER SERVICE.

a. Where the customer is being served by a nonstandard water service, and a standard water main is thereafter installed, within six months after City's acceptance of the standard main, the customer shall discontinue the use of the nonstandard water service and shall relocate the service line from the new permanent main, to the nearest property line, at the customer's expense. The customer shall further be responsible for connecting to the new service line and paying all costs associated with said connection. A new connection charge shall not be due for the relocation and reconnection from a nonstandard water service to a standard water service.

b. All work undertaken by a customer associated with the repair of a nonstandard service in the utility right-of-way shall require a permit and all work shall comply with City construction standards.

27. OWNERSHIP, REPAIR AND REPLACEMENT OF FACILITIES. The City shall not be required to renew or replace water mains which are outside the established boundaries of the water system.

28. CONFORMING PRIVATE PIPES. Before water will be turned on to any premises not previously served by the water system, the service pipes upon such premises must be made to conform to all applicable laws and regulations, including such specifications as may be promulgated from time to time by the City. Conformity must be verified by an inspection by the City prior to the covering of the trench containing such pipe.

29. SHUT-OFF VALVE REQUIRED. The customer shall install, as close to the meter location as practicable, a suitable shut off valve in the service connection to the meter that will shut off all service to the premises.

30. NEW PIPES. All new service pipes shall be placed not less than twenty-four inches below the surface of the ground.

31. REFUSAL OF SERVICE.

a. Unsafe or Unlawful Apparatus. The City may refuse to furnish water or may discontinue service to any premises where any apparatus, application or equipment using water is dangerous, unsafe, or unlawful.

b. Excessive Demand by Customer. The City may, in the public interest, refuse to furnish water or may discontinue service where excessive demand by one customer may be detrimental to the water service furnished to other customers.

32. CITY METER VALVE. All shut-off valves on the City's side of the water meter are installed by the City for use by the City. Such shut-off valves shall not be used or in any way tampered with by the customer, or any agent or contractor of the customer.
33. **DAMAGE TO CITY PROPERTY.** The customer shall provide a space for, and exercise proper care to protect the property of, the City on its premises, and in the event of loss or damage to the City’s property arising from neglect of the customer to care for same or from any willful act of the customer, the cost of necessary repairs or replacement shall be paid for by the customer.

34. **EMERGENCY SERVICE TO OTHER PROPERTY.** The furnishing of water by a customer to premises other than that served by the customer’s service is prohibited, except as may be approved by the City during emergencies, provided that an application for emergency service shall be made to the City within forty-eight (48) hours of the onset of the emergency.

35. **DAMAGE BY HOT WATER.** If a meter is damaged by hot water from the customer’s line, the customer will be required to pay for the cost of repair and for the loss of revenue occasioned by the damage, and the customer shall immediately make the necessary corrections to his own water line to prevent further damage to the City meter.

36. **REMOVAL, REPLACEMENT AND REPAIR.** No person other than the City may remove a meter. In all cases where meters are lost, damaged or broken by carelessness, negligence or willful act of the customers, owners or occupants of the premises, or their employees, contractors or agents, they shall be replaced or repaired by or under the direction of the City, and the cost shall be charged against the customer, and in the case of nonpayment, the water shall be shut off and will not be turned on until such charges and the charge for turning on the water are paid.

37. **EFFECTIVE DATE OF CONTRACT AND RATES.** All contracts shall take effect from the day they are signed and rates shall be charged from the day the premises are connected with the water system and the meter is installed.

38. **TURN-ON-NEW INSTALLATION.** When the City installs the new water service connection for any premise, the valve at the meter shall be turned to the “off” position unless the owner has specifically requested the water be turned “on” in the contract.

39. **LOCATION CHANGE—COST.** Except as otherwise provided in the Rules, when it is necessary for the convenience of the City or because of the installation of new water mains to change an existing domestic water meter or domestic water service location, such new location shall be made at the cost and expense of the City, except that the property owner shall reinstall his service extension to connect with the water meter as relocated at his own expense.

40. **CHARGES FOR METERED SERVICE.** The charges for metered service shall be the applicable Commodity Charges plus the Service Charges.

41. **METER READING AND BILLING.** Meters will be read bi-monthly at two (2) month intervals for the preparation of regular bills and at intermediate dates as required for the preparation of opening, closing or special bills. In the event the meter fails to register or is blocked or inaccessible, the customer shall be charged for such period on an estimate.
based upon the last three billing cycles during which the meter was in good order, or such other information as may be most reliable under the circumstances. In addition, any customer who covers or in any way obstructs City’s access to the water meter will be charged an additional penalty of $100.00 for each billing cycle the obstruction remains over the meter.

42. **BILLS — MINIMUM CHARGE.** If the total period of water service is less than a full bimonthly billing cycle, the Service Charge will be prorated to reflect the actual period of service. If a meter fails to register during any period or is known to register inaccurately, the customer shall be charged for such period based on an average yearly consumption as shown by the meter when in use and registering accurately.

43. **APPLICATION OF PAYMENT.** All payments received by the City shall be applied to payment of the months or month furthest in arrears for the property which the payment is received.

44. **TERMINATION OF SERVICE FOR UNPAID CHARGES.** The City has the right to terminate water services to any customer for reason of non-payment. Prior to termination, the City shall comply with the applicable procedures of California Public Utilities Code Sections 10009, 10009.1, 10010, and 10011 as they then exist. All bills for water services are due and payable upon receipt and become delinquent twenty (20) days from the billing date. At the end of grace period of no more than 15 days following the date of first delinquency of any such charges, the City shall turn off the water service in accordance with the following procedure:

a. **Restrictions on Termination of Residential Service for Unpaid Charges.** Restrictions on termination of residential water service for nonpayment are set forth in Section 10010 of the California Public Utilities Code. Additional situations where service may not be terminated to a multiunit residential structure serviced through a master meter are set forth in Subsection (e) of Section 10009.1 of the California Public Utilities Code.

b. **Small Balance Accounts.** In any billing, if $40.00 or less remains unpaid, it may be carried over to, and added to, the next billing period.

c. **Delinquent Notice of Non-Payment.** If payment for a billing period is not made on or before the 20th day after the billing period invoice date, a Delinquent Notice of Non-Payment and Disconnection of Service ("Delinquent Notice") will be mailed, postage prepaid, to the water service customer fifteen (15) days prior to actual disconnection. The Delinquent Notice will include a late charge in an amount established herein, which must be paid prior to service being continued. A customer may request an amortization payment plan described herein, provided such request is made within 13 days of the date the Delinquent Notice is mailed.

d. **Turn-Off Deadline.** Unless an amortization payment plan is approved, all charges for water service charges and late charges must be paid on or prior to 4:30 p.m. on the day specified in the Delinquent Notice to avoid disconnection of service.
e. Contents of Termination Notice. The Delinquent Notice shall specify the following information in a clear and legible format:

1. Customer’s name and address;
2. Amount in arrears;
3. Date by which payment must be made;
4. Procedures for initiating a complaint or requesting an investigation of the charges;
5. Procedures for requesting amortization of the unpaid balance;
6. Procedures for obtaining information on financial assistance; and
7. Telephone number of the City representative who can provide additional information.

f. Forty-Eight Hour Notice of Discontinuation. At least forty-eight (48) hours prior to actual termination as set forth in the Delinquent Notice, the City shall make a reasonable, good faith effort to contact an adult of each residence served by the account for which the Delinquent Notice has been prepared by telephone or in person, and provide them with the information set forth above. At least one attempted personal contact coupled with use of a "door hanger" shall be deemed to be a reasonable, good faith effort at contacting an adult of the residence.

In the event the account is for a multiunit residential structure served through a master meter, the "door hanger" shall also contain information regarding the occupants’ rights under Public Utilities Code section 10009.1, including the right to establish service through the acceptance of responsibility for the property, or of a portion of the property if a physical means is legally available to selectively terminate service to other portions, the right to off-set payments made for such charges against rent due if water had been included as a service provided, and the right to commence action to recover damages from the property owner. Such additional information shall be provided in “plain English” printed in a large and bold face type, and shall include comprehensive instructions as to actions which may be taken by the occupant(s).

g. No Termination Except on Business Days. Water service will not be terminated by reason of non-payment on any Saturday, Sunday, legal holiday, or at any time during which the business offices of the City’s water system are not open to the public.

h. Restoration of Service. Water service which has been turned off for non-payment shall not be turned on again until all delinquent charges, the late charge, and the additional sum set forth herein for turning the water on, shall have been paid.

45. TERMINATION OF SERVICE FOR NONCOMPLIANCE. Water service may be terminated to any customer who fails to comply with any Rule.

a. Imminent Risk to Public Health, Safety or Welfare. In any case where the customer’s failure to comply with any Rule is deemed in the sole discretion of the
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City to present an imminent risk to the public health, safety, or welfare, the City may immediately terminate water service to the customer without prior notice. Concurrent with or as soon as possible after termination of service, the City shall mail to the customer and hand-deliver to the service address a Notice of Non-Compliance and Disconnection of Service as described below. Additionally, the City shall make a reasonable, good faith effort to contact an adult of the residence by telephone or in person, and provide them with the information set forth above. At least one attempted personal contact coupled with use of a "door hanger" shall be deemed to be a reasonable, good faith effort at contacting an adult of the residence.

b. Procedure for Termination of Service – No Imminent Risk. When any customer fails to comply with any Rule but where no imminent risk is deemed to exist, a Notice of Non-Compliance and Disconnection of Service will be mailed to the Customer and hand-delivered to the service address 48-hours prior to actual disconnection. In addition to the foregoing, the City shall make a reasonable, good faith effort to contact an adult of the residence by telephone or in person, and provide them with the information set forth above. At least one attempted personal contact coupled with use of a "door hanger" shall be deemed to be a reasonable, good faith effort at contacting an adult of the residence.

c. Contents of Notice. The Notice of Non-Compliance shall specify the following information in a clear and legible format:

1. Customer's name and address;
2. Reason for Termination (including the Rule(s) the customer has not complied with);
3. Date by which corrective action must be taken;
4. Procedures for appealing the determination of non-compliance;
5. What fees and penalties, if any, must be paid; and
6. Telephone number of the City representative who can provide additional information.

d. Restoration of Service. Water service shall not be turned on again until the customer is in full compliance with the Rules, and all delinquent charges, penalties, if any, and the additional sum established herein of the City Council for turning the water on shall have been paid.

46. TERMINATION OF SERVICE - VOLUNTARY.

a. Should any customer desire to terminate water service, he shall be provided a closing bill stating the date of such termination and shall pay all unpaid charges at the address set forth on such closing bill within twenty (20) days. The customer shall be responsible for all charges accruing prior to the stated date of termination. If the customer fails to give notice, the customer shall remain liable for all charges applicable to the account, including but not limited to commodity charges and service charges, until the date of actual disconnection by the City.
b. If service has been voluntarily terminated, upon proper application, the payment of all unpaid water charges, and the additional payment of any turn-on fee established herein for new service, the City will turn on water service again. No change of ownership or occupancy shall affect the application of this Rule.

47. PENALTIES FOR LATE PAYMENT. Water bills paid after the twentieth day from the billing date will incur a $5.00 late payment penalty. Water bills paid after the date of the delinquent notice of non-payment will incur an additional $10.00 delinquent payment penalty.

48. FEES AND PENALTIES FOR TERMINATION OR RESTORATION OF WATER SERVICE.

a. Fee for Turn-On. When a customer's water is turned off for non-payment or non-compliance, the customer shall pay the amount due plus any late fee or other penalties plus a turn-on fee as established herein.

b. Fee for Voluntary Temporary Turn-Off. If a customer has his water service shut off at his own request for a temporary period of time of more than fifteen (15) days, then a turn-off fee of $30.00 shall be paid.

c. Penalty for Unauthorized Turn-On or Turn-Off. If a customer turns on or turns off his water at the curb cock (at the meter), then a penalty of $150.00 shall be charged to the customer.

49. COLLECTION OF UNPAID CHARGES - UNPAID CHARGES DEEMED LIEN. To the extent allowed by California law, all charges for connection and service, as provided in these Rules are, or as may be hereafter amended, together with penalties and interest thereon, if any, shall, in addition to being a personal liability of the applicant, be a lien upon the property with which such connection is made. Enforcement of such lien or liens shall be in any manner provided by state law.

50. BILLING DISPUTES—RESPONSIBLE PARTY—REDUCED WATER CHARGES IN SPECIAL CASES. Upon application by a customer, the City Manager or his/her designee is empowered to resolve billing disputes, on a case-by-case basis, in the following circumstances: If a private water line, valve, fixture or other appurtenance is verified to be leaking as a result of accidental damage or natural deterioration of the same, and not as a result of abuse or willful neglect, and provided that the damage is repaired within five days of the discovery of such, the water bill may be reasonably and equitably reduced; provided that a customer shall be required to pay the service charge plus a commodity charge based on not less than the highest usage of that account in the previous 12 months. If the leak is recurring, the bill will be reduced for a single event only.
51. METER TESTING—ADJUSTMENT OF BILL.

a. Upon request from a customer, based upon a complaint that the water bill for any period has been excessive, the City shall have the meter reread.

b. If a meter is tested at the request of a customer, a charge of $60.00 shall be made. If the meter is found to be over 2% fast, then the charge shall be refunded.

52. CITY LIABILITY.

a. Liability - Shut-Off for Repair or Nonpayment. The City may at any time shut off water to any premises connected with the water system for repairs, extensions, failure to pay charges as provided by the Rules, or other necessary purposes. The City and the Water System Operator shall not be liable for any damage which may occur as a result of water being shut off to any premises, including, without limitation, the bursting of boilers supplied by direct pressure, the breaking of any pipes or fixtures, stoppage or interruption of water supply, or any other damage resulting from the shutting off of water. It is the responsibility of customers who have any machinery, material, process or plant which requires a constant supply of water to install upon their premises such water storage facilities as will prevent any damage in case the City water supply may for any reason be interrupted or discontinued, and to provide backflow devices to protect against loss from the interruption or discontinuance of water service.

b. City Not Liable for Damages. The City and the Water System Operator shall not be liable for damages, nor will allowances be made for loss of production, sales or service, in case of water pressure variation, or in case the operation of the City’s source of water supply or means of distribution fails, or is curtailed, suspended, diminished or interrupted for any cause. Such pressure variations, failure, curtailment, diminishment, suspension, interruption or interference shall not be held to constitute a breach of contract on the part of the City, or in any way affect any liability for payment for water made available or for money due on or before the date of such occurrence.

c. Liability Disclaimer. The City and the Water System Operator shall not be liable for any damage to persons or property resulting from a turn-off or turn-on of the water service, including, but not limited to, situations where water service is left on between a change of customers occupying the premises, at the request of one of the customers, or the service is disconnected for nonpayment for failure to have a current water service application.

d. Liability for Damage to Equipment and Property. The customer shall be liable for any damage to the meter or other equipment or property owned by the City, which results from any intentional or negligent act by the customer, his tenants, agents, employees, contractors, licensees, or invitees. The City shall be reimbursed by the customer for any such damage promptly on presentation of a bill therefor.
53. **DISHONORED CHECKS.** In the event the check given by the customer is not honored by the financial institution appearing on the check, the City will initiate termination of water service procedures as provided herein for delinquent payment on the same day it receives notice from the financial institution serving the City. Service shall not be turned on again until a return check charge, in addition to all other charges required by the Rules, shall have been paid.

Any customer who has given the City a dishonored check must thereafter pay all charges for such account by cash, money order or certified check. The return check charge will be $25.00 for the first returned check and $35.00 for any subsequent returned check from the same customer.

54. **FIRE HYDRANTS; UNAUTHORIZED USE OF WATER.** It is unlawful for any person to open, operate, close, turn on, turn off, interfere with, attach a pipe or hose to, or connect anything with any fire hydrant, stop valve, or stopcock belonging to the City, except when duly authorized by the City, or unless such person is acting in an official capacity as a member of the Los Angeles County Fire Department or the City. If customer uses a fire hydrant without permission, an inspection charge of $150.00 shall be paid in addition to the charges for any water used. Any such unauthorized use of water is subject to a fine in an amount not to exceed $500.00 and to criminal penalties under California Penal Code Sections 624 and 625.

55. **FIRE HYDRANT FOR CONSTRUCTION PURPOSES.** Whenever in the opinion of the City it is necessary to install a meter on a fire hydrant for construction purposes there shall be a $115.00 charge for the initial installation and an $850.00 deposit for the meter, refundable when the meter is returned in the same condition as when installed. If the meter should be moved to other locations from the original installation site, an additional fee of $46.00 shall be charged each time the meter is moved. Rates for water used will be charged as follows:

<table>
<thead>
<tr>
<th>Service Charge per week</th>
<th>$25.00</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commodity Charge per 100 cubic feet</td>
<td>Same as rate charged for potable water metered service</td>
</tr>
</tbody>
</table>

The contractor shall pre-pay for all water and service charges based on estimates.

56. **WATER TURN-ON AND TURN-OFF FEES.** Whenever a request is made to turn-on water, the customer must first pay any charges past due.

   a. **Turn-On or Turn-Off Incident to Establishment or Termination of Service.** No fee will be charged to turn-on or turn-off water service to any premises incident to the normal establishment of new service or the permanent, voluntary termination of an existing service.

   b. **Scheduled Turn-On or Turn-Off.** For turn-on or turn-off other than as incident to the normal establishment of new service or the permanent, voluntary termination of an existing service, whenever a request is made at least two working days in
advance for the turn-off or turn-on, or temporary discontinuance of water service to any premises for a period of fifteen (15) days or less, the customer shall pay a fee of $25.00 if the turn-on/off is made between 8:00 a.m. and 4:45 p.m., Monday through Friday (except holidays). If the turn-on or turn-off is made at any other time, the fee for turn-on/off shall be $45.00.

c. Unscheduled and Emergency Turn-On or Turn-Off. Notwithstanding any provisions of the Rules to the contrary, whenever a request is made for a turn-off or turn-on with less than two prior working days' notice, or for an unscheduled or emergency turn-off or turn-on, or temporary discontinuance of water service to any premises, the customer shall pay a fee of $35.00 if the turn-on/off is made between 8:00 a.m. and 4:45 p.m., Monday through Friday (except holidays). If the turn-on/off is made at any other time, the fee for turn-on/off shall be $55.00.

57. ORDERS FOR TURNING WATER ON AND OFF. All orders for turning water on or off must be made in writing to the City and must be signed by the owner of the property from which the water is ordered shut off or turned on, or a duly authorized customer.

58. TAMPERING OR DESTRUCTION OF EQUIPMENT PROHIBITED. It is unlawful for any person to break, damage, destroy, uncover, deface or tamper with any structure, appurtenance or equipment which is a part of the City's municipal water system, unless the prior written consent of the City is first obtained (BMC 13.04.020). Each violation thereof shall be charged a minimum of $100.00, plus the cost for time and materials for repair of the damage to the water system. The provisions of this Rule shall not be deemed to waive any criminal liability otherwise established by law.

59. VIOLATION-CORRECTION OF CONDITIONS. Any person who shall violate any of the provisions of the Rules shall become liable to the City for any expense, loss or damage occasioned by reason of such violation.

60. LOSS OR DAMAGE IN LINE. The City and the Water System Operator shall not be liable for any loss or damage of any nature whatsoever caused by any defect in the customer's line, plumbing or equipment, and the City may, without notice, discontinue service to any customer when a defective condition of plumbing or equipment upon the premises of the customer results, or is likely to result, in interference with proper service or is likely to cause contamination of the water. The City and the Water System Operator do not assume the duty of inspecting the customer's line, plumbing or equipment, and shall not be responsible therefore, and will not be liable for failure of the customer to receive service on account of defective plumbing and apparatus on the customer's premises, or for excessive consumption.

62. WATER MAINS.

a. Submittals. Plans and specifications for the installation of water mains, services and fire hydrants in new subdivisions or areas shall be submitted and filed in duplicate with the City, and its approval in writing shall be obtained before any work of installation or construction is commenced thereon.

b. Design Standards. All water facilities installed in the City shall be designed and constructed to withstand, with ample safety factors, the physical stresses to which they will be subjected and shall be free from structural and sanitary hazards. All equipment used therein shall be of adequate size and capacity and shall be correlated with available supply from the source facilities and storage to meet the requirements of Subsection c. below.

c. Total Water Flow Required. The required total water flow in new water mains shall be the total sum of the minimum fire flow requirements, as set forth in Subsection e below, plus the maximum daily water flow requirements as set forth in Subsection d. For the purposes of this section, the maximum daily water flow requirement shall be deemed to be two times the average daily water flow requirement as defined in Subsection d below.

d. Daily Flow Required. The average daily water flow requirement, in gallons per minute, as required in Subsection c, above, shall be obtained by multiplying the estimated daily water consumption in gallons per capita, times the total estimated population to be served by the new water facilities or unit thereof and dividing the sum by one thousand four hundred forty (being the minutes in a twenty-four-hour day). In no case shall there be permitted average daily design flow consumption per capita for any new water facilities or unit thereof of less than one hundred gallons per day at a normal operating pressure of not less than twenty-five (25) pounds per square inch.

e. Fire Flow. The minimum fire-flow water requirement for any new water facilities or unit thereof shall be determined by the Fire Chief of Los Angeles County or his designated representative, in accordance with the following formula. The computation shall be:

<table>
<thead>
<tr>
<th>Minimum Fire Flow Requirements</th>
<th>Minimum Duration Fire Flow</th>
</tr>
</thead>
<tbody>
<tr>
<td>1500 gal. per minute</td>
<td>2 hours</td>
</tr>
<tr>
<td>2000 gal. per minute</td>
<td>2 hours</td>
</tr>
<tr>
<td>2500 gal. per minute</td>
<td>2 hours</td>
</tr>
<tr>
<td>3000 gal. per minute</td>
<td>3 hours</td>
</tr>
<tr>
<td>3500 gal. per minute</td>
<td>3 hours</td>
</tr>
<tr>
<td>4000 gal. per minute</td>
<td>4 hours</td>
</tr>
<tr>
<td>4500 gal. per minute</td>
<td>4 hours</td>
</tr>
<tr>
<td>5000 gal. per minute</td>
<td>5 hours</td>
</tr>
</tbody>
</table>
f. **Circulation.** All new water facilities shall be so designed to permit circulating water flows except where impractical because of cul-de-sacs and like conditions or the incomplete development of the grid system.

g. **Pipe Design.** All water pipe and fittings used in water distribution mains or lines hereafter laid or replaced shall be designed to withstand the maximum internal and external pressures and forces to which they may be subjected under normal operating conditions and with an ample safety factor all in accordance with and as set forth in the written standards of required design for pressures and forces established by the American Waterworks Association (AWWA), copies of which standards are on file at the business office of the City's water system.

h. **Main Size.** For all water mains or systems hereafter installed or replaced, the minimum size shall be six (6) inches in diameter, on which or where fire hydrants are located.

i. **Service Pipe Size.** In all future subdivisions of property or lot splits, the diameter of the water service pipe and connection to the water main shall not be less than the service pipe required by the plumbing code for the building served thereby. The service pipe shall be equipped with a valve at the inlet to the meter. In order to provide adequate water service to large parcels or lots, the City may require larger water service pipe and connections as determined in its discretion.

j. **Valve Location.** All new water main line valves or distribution mains or lines shall be installed on not less than a three-valve pattern at street intersections, having a single intersecting main.

k. **Fire Hydrant Size, Type and Location.**

1. The size, type and location of new fire hydrants shall be designated by the Los Angeles County Fire Department or the City.

2. Any new fire hydrant pipeline from the street water main to the fire hydrant shall have a minimum diameter of six (6) inches and shall have a shut-off valve.

l. **Temporary Mains.** No temporary mains shall be permitted to be installed as part of the City's water system.

63. **NEW SUBDIVISIONS.**

a. **Owner Responsibility.** Responsibility for the installation, repair, replacement, or up-grading of water facilities to service any new lots of parcels, including but not limited to water mains and fire hydrants, shall be determined by the City at the time an application for subdivision is submitted. When such facilities are installed by a private party and thereafter accepted by the City, they shall become part of the water system and be the property of the City, and be dedicated to the public for the
purpose of distributing water to the lands. Facilities of the water system installed on private property or in private streets shall be placed in public utility easements dedicated to the City.

b. **Oversize Mains.** In the event that the City elects to require installation of mains or other water facilities of greater size than in the opinion of the City are adequate to supply any new subdivision with water and fire protection, the City shall enter into a reimbursement agreement relating to such facilities.

64. **RESTRICTIONS.**

a. **Restrictions During Emergency.** In the event of any emergency, the City Manager shall have the right, power and authority to turn off the water from any main or mains or pipes of the water system of the City with or without notice. The City Manager shall have the power or authority to determine when an emergency exists and such determination shall be final or until revised at a meeting of the City Council. In addition to the power given in this section, the City Council reserves the right in the event of any emergency to turn off the water from any main or mains or pipes of the City either with or without notice and for so long a time as the City Council may deem advisable.

b. **Unauthorized Use or Injury Prohibited.** No person shall open a fire hydrant or hydrants, tap a water main or mains, or in any manner willfully damage or injure the water system, or any part thereof, or take water therefrom, or use the water system in violation of the Rules without the written permission of the City. Any such unauthorized use of water is subject to a fine in an amount not to exceed $500.00 and to criminal penalties under California Penal Code Sections 624 and 625.

c. **Tampering with Equipment Prohibited.** No person shall tap, open, connect with or otherwise tamper with any main, pipe, valve or any other equipment which forms part of the system of the water system.

65. **WATER CONSERVATION MEASURES.** The City has by ordinance adopted certain water conservation measures. The following extracts from the Bellflower Municipal Code are quoted for information only:

a. **13.16.010 - Hose watering prohibition.** No person shall hose water or wash down any sidewalks, walkways, driveways, parking areas, or other paved surfaces, except as is required for the benefit of public health and safety.

b. **13.16.020 - Watering of lawns and landscaping.**

   A. No person shall water or cause to be watered any lawn or landscaping between the hours of 10:00 a.m. and 5:00 p.m.

   B. No person shall water or cause to be watered any lawn or landscaping more than once a day.
C. No person shall water or cause to be watered any lawn or landscaping more often than every other day.

D. No person shall water or cause to be watered any lawn or landscaping to such an extent that there is excessive runoff into adjoining streets, parking lots, or alleys occurs due to incorrectly directed or maintained sprinklers or excessive watering.

E. Adherence with the provisions of this Subsection shall not relieve any person of the legal obligation to maintain landscaping as otherwise required by the provisions of this Code.

c. **13.16.030 - Indoor Plumbing and fixtures.** It shall be the duty of all persons to inspect all hoses, pipes, faucets, plumbing fixtures, sprinklers, and other portions of plumbing systems for leaks and to cause all leaks to be repaired as soon as is reasonably practicable (with all required City approvals, permits, and inspections).

d. **13.16.040 - Washing vehicles.** No motor vehicle, boat, trailer, or other type of mobile equipment may be washed, except at a commercial carwash or with reclaimed water, unless such vehicle is washed by using a hand-held bucket or water-hose equipped with an automatic shutoff nozzle. No person shall leave a water hose running while washing a vehicle or at any other time.

e. **13.16.050 - Public Eating Places.** No restaurant, hotel, cafeteria, café, or other public place where food is sold or served shall serve drinking water to any customer unless specifically requested to do so by such customer.

f. **13.16.060 - Decorative fountains.** No person shall use water to clean, fill, or maintain levels in decorative fountains, ponds, lakes, or other similar aesthetic structures unless such water flows through a re-circulating system.

g. **13.16.070 - Water Efficient Landscaping.** The City Council may by resolution or ordinance establish certain provisions requiring a selection of water-efficient plants and irrigation systems which foster long-term water conservation while respecting the economic, environmental, and aesthetic and lifestyle choices of individuals and property owners.

h. **13.16.080 - Adoption of Additional Water Conservation Measures.** In addition to the foregoing regulations, the City Council may adopt, by resolution, additional water conservation measures designed to reduce water consumption by reason of any emergency, shortage of water supply, or water facility damage.

i. **13.16.090 - Violations.** Violation of any water conservation measure established pursuant to Chapter 13.16 shall be subject to a written warning for the first violation and shall be punishable pursuant to Chapter 1.08 of this Code for each subsequent violation.
Except the Bellflower Municipal Water System, the City will endeavor to provide the water purveyor of a person receiving a warning a copy of that warning.

j. 13.16.100 - Procedural requirements. The Director of Public Works shall periodically review the provisions of this Chapter and recommend necessary updates to the City Council. The review of these provisions and preparation of resulting recommendations, if any, shall be performed, at a minimum, every two years following the first review, which shall be completed by December 31, 2010.”

66. WATER SERVICE TO PROPOSED DEVELOPMENTS THAT INCLUDE HOUSING AFFORDABLE TO LOWER INCOME HOUSEHOLDS.

a. Copies of Housing Element. As required by State law, the City Clerk has delivered copies of the adopted Housing Element of the City’s General Plan to all local water and sewer service providers. The City Clerk will deliver copies of any amendments to the Housing Element to all local water and sewer service providers.

b. Government Code Requirements. Pursuant to Government Code Section 65589.7, the City of Bellflower adopts the policies and procedures in Subsections c. and d., below, to provide for the granting of priority for the provision of water services to proposed developments that include housing units affordable to lower income households pursuant to a mandate set forth in Government Code Section 65589.7.

c. Priority Policy. Subject to availability of the water supply, as determined by the City Engineer pursuant to an urban water management plan adopted pursuant to Water Code Sections 10610, et seq., and subject to any water shortage emergencies as provided by Water Code Sections 350, et seq., the City Manager or his designee shall ensure that a priority for water services be given to proposed developments that include housing units affordable to lower income households. For purposes of this policy and the priority provided herein, it shall be the obligation of the development project applicant to demonstrate that the applicant’s development project includes housing units affordable to lower income households.

d. Restrictions on Denial of Approval; Exceptions. As provided by Government Code Section 65589.7(c), the City shall not deny or condition the approval of an application for water services to, or reduce the amount of water services applied for by, a proposed development that includes housing units affordable to lower income households, unless specific written findings are made by the City Council or City Manager or his designee finding that the denial, condition, or reduction is necessary due to the existence of one or more of the following:

1. The City does not have “sufficient water supply” as defined in Government Code Section 66473.7(a) (2), or is operating under a water shortage emergency as defined in Water Code Section 350, or does not have sufficient water treatment or distribution capacity to serve the needs of the proposed development, as demonstrated by a written engineering analysis and report.
2. The City is subject to a compliance order issued by the State Department of Public Health that prohibits new water connections.

3. The applicant has failed to agree to reasonable terms and conditions relating to the provision of water service generally applicable to development projects seeking water service from the City, including, but not limited to, the requirements of local, state, or federal laws and regulations or payment of a fee or charge imposed pursuant to Government Code Section 66013.

e. **Incorporation into Housing Element of General Plan.** It is the intent of the City Council that this Rule be incorporated into the next change to the Housing Element of the City's General Plan, subject to the notice and hearing requirements applicable to any amendment thereof.

67. **RESIDENTIAL RATEPAYER ASSISTANCE PROGRAMS.** The City will establish and maintain the following ratepayer assistance programs for qualified residential customers:

a. **Amortization Payment Plan.** Any residential customer who, on the certification of a licensed physician and surgeon that the termination of water service will be life threatening to the customer, and upon the customer providing information to demonstrate that the customer is financially unable to pay for service within the normal payment period, and who is willing to enter into an amortization agreement with the City with respect to all charges that the customer is unable to pay prior to delinquency shall, upon request, be permitted to amortize, over a period not to exceed 12 months, the unpaid balance of any bill asserted to be beyond the means of the customer to pay within the normal period for payment. If a residential customer fails to comply with an amortization agreement, the City shall not terminate service without giving notice to the customer at least 48 hours prior to termination of the conditions the customer is required to meet to avoid termination, but the notice does not entitle the customer to further investigation by the City nor an extension of the amortization agreement.

b. **Low Income Assistance Program for Water Rate Increases.** At any time that the City implements an increase in the water rate(s) charged, qualified low income residential customers may be determined by the City to be exempt from payment of fifty percent (50%) of the increase for a period not to exceed two years. The City Manager will establish additional rules and regulations necessary to administer this program.

c. **Low Income Assistance Program for Service Line Repairs.** Subject to the availability of funds, qualified low income residential customers may receive a deferred loan under the City's Home Improvement Program for the purpose of repairing service lines (i.e., the line connecting the meter to the house, up to the customer's turn-off valve). The City Manager will establish additional rules and regulations necessary to administer this program.
68. **ANNUAL RATE REVIEW.** Annually, or as otherwise required, the City Council will review the water rates then in force and consider such changes as may be appropriate.

   a. **Public Noticing of Water Rate Increases.** Pursuant to California Government Code Section 53755, the City elects to give public notice of proposed water rate increases only to the actual customers, and not to property owners who are not also customers.

   1. For multi-tenant buildings that have individual water meters for each unit, the notice of the meeting shall be sent to the address to which the water bills are sent. For such individually metered units, each unit shall be considered to be a separate "parcel" entitled to one (1) protest for purposes of determining whether a majority protest exists for purposes of Article XIIID, Section 6(a)(2) of the California Constitution. If the units at a multi-tenant building are not separately metered and the bill is sent to a central address, then the notice of the proposed water rate increase shall be sent to the address to which that bill is sent and that entire property shall be considered one "parcel" and entitled to one (1) protest pursuant to said Article XIIID, Section 6(a)(2).

   2. In electing to not provide notice of a proposed rate increase to the actual property owner(s), the City waives its right of enforcement of non-payment with a lien on the property as per Rule 49.

   3. Only those persons who are customers may formally "protest" a proposed rate increase. Property owners who are not also customers shall not be allowed to make a formal protest.

**SECTION 4.** This Resolution shall become effective on November 16, 2009.

**SECTION 5.** The Mayor, or presiding officer, is hereby authorized to affix his signature to this Resolution signifying its adoption by the City Council of the City of Bellflower, and the City Clerk, or her duly appointed deputy, is directed to attest thereto.

**PASSED, APPROVED, AND ADOPTED BY THE CITY COUNCIL OF THE CITY OF BELLFLOWER THIS ___ DAY OF _____ 2009.**

**ATTEST:**

---

Ray T. Smith, Mayor

Debra D. Bauchop, City Clerk
Municipal Water System 2009 Annual Report

1. Executive Summary. The following report provides an overview of the City's Municipal Water System, including a brief history, summary of water sources and water costs, history of MWS water rates, prior year accomplishments, major initiatives for the coming two years, and a discussion of the challenges facing the MWS.

2. Definitions. Where used herein:

- "Acre foot" or "af" means the amount of water necessary to cover an acre of land to a depth of one-foot. This is the standard unit of volume for large scale water resources.

- "Billing Cycle" or "BiMB" means the interval between water bills, presently bimonthly.

- "CBMWD" means the Central Basin Municipal Water District.

- "City" means the City of Bellflower.

- "Commodity Charge" means the rate charged per 100 cubic feet of water used, as established by resolution of the City Council.

- "CPUC" means the California Public Utilities Commission, a regulatory body that oversees, among other things, privately held water companies.

- "Customer" means the owner, tenant or other occupant of the property who has established the service connection.
  - "Commercial Customer" means any customer who is neither a residential customer nor the customer for service to a multifamily residential structure served by a master meter.
  - "Residential Customer" means any customer occupying a dwelling unit in any structure where each unit is served by a separate water meter.

- "Ground water" means water pumped from MWS own wells using MWS water rights.

- "Imported water" means water obtained from a third-party source.

- "MWS" means the City of Bellflower Municipal Water System.

- "MWD" means the Metropolitan Water District of Southern California.

- "Owner" means the owner of the property at which the service connection is located, or his/her authorized agent.

- "Person" means any individual, firm, company, public entity, association, society, corporation, partnership or group.
Municipal Water System 2009 Annual Report (Continued)

- "Service Charge" means a charge which is applicable to all metered service to provide reimbursement to the City for the costs of services related to the supplying of water to the property but which are not directly related to the amount of water utilized at a site but, instead, are otherwise appropriately apportioned to the customer, as established by resolution of the City Council.

- "Service Connection" means the water line and appurtenant facilities used to extend water service from the water main to the meter box.

- "Service Extension" means the water line and appurtenant facilities used to extend water service from the meter to the customer's premises.

- "Water Manager" means the individual appointed by the City Manager to coordinate on behalf of the City with the Water System Operator for the day-to-day operation of the MWS, and represent the City in related regulatory matters. Presently Steven Bucknam of Bucknam and Associates.

- "Water Service Area" means the area of the City in which the MWS provides water service.

- "Water Service" or "Water Services" means supplying service through a pipe or other constructed conveyance for any purpose, but does not include the sale of water for human consumption by a water supplier to another water supplier for resale.

- "Water System" means the infrastructure of the City's water system only.

- "Water System Operator" or "Operator" means the party with whom the City contracts for the operation of the water system, or delegated specific responsibilities for the operation of the water system, presently Bellflower-Somerset Mutual Water Company.

3. Background. The MWS was established by the City Council in 2007 to operate the water system acquired from Peerless Water Company at a cost of $5.8 million.

a. The MWS currently serves more than 1,800 customers, or approximately 10% of the City, from eight separate systems in geographically separated areas:

<table>
<thead>
<tr>
<th>Distribution of MWS Customers</th>
</tr>
</thead>
<tbody>
<tr>
<td>System</td>
</tr>
<tr>
<td>--------</td>
</tr>
<tr>
<td>1</td>
</tr>
<tr>
<td>2/3</td>
</tr>
<tr>
<td>4</td>
</tr>
<tr>
<td>5</td>
</tr>
<tr>
<td>6</td>
</tr>
<tr>
<td>8</td>
</tr>
<tr>
<td>9</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>
b. The MWS consists of three operating water wells, 74,418 linear feet of distribution pipeline, and several service interconnections to adjacent water providers for primary or standby water supply. The MWS System also controls 986 acre feet of water rights.

   c. The MWS’ current estimated service demand is about 815 acre feet per year. Using ground water from both the above water rights and a one-time carry-over (about 100 acre feet) from the immediate prior year, the MWS expects to pump approximately 311 acre feet to its own customers and lease the balance, about 775 acre feet, to other water providers. The balance of our service demand will be met using about 504 acre feet of imported water obtained chiefly from Bellflower-Somerset Mutual Water Company and the MWD.

   d. Although the MWS has sufficient water rights to meet customer service demand, the geographic separation of the sub-systems and the limited pumping capacity of the three operating wells require that water be imported from other sources.

   e. In July 2008, the City completed the sale of $8.23 million in Certificates of Participation, the proceeds of which will be used to reimburse the City’s general fund for the purchase price of the MWS, and pay for capital improvements to the System’s infrastructure. City Hall and Thompson Park were used as security, and the certificates final maturity is in 2039. The City commenced making interest-only payments in October 2008, and will begin making interest and principal payments in October 2010.

   f. Under the direction of the City Manager, the Assistant City Manager oversees strategic planning, financial management, policy development, and capital projects for the MWS. He is aided by representatives of the City’s Public Works and Finance Departments, the City’s contract water program manager, and the City’s contract water system operator.

   g. The City’s contract water system operator, Bellflower Somerset Mutual Water Company, is responsible for the day-to-day operation of the Water System.

4. **Key Dates.** The following are key dates in the history of the City’s acquisition and operation of the Municipal Water System:

   - **Circa 1940**: Peerless Land and Water Company founded
   - **December 14, 1999**: Pending CPUC approval, Southern California Water Company and Peerless Water Company enter into merger agreement
   - **May 22, 2000**: Southern California Water Company and Peerless Water Company submit joint application to CPUC for approval of merger
   - **July 7, 2000**: City sends letter to CPUC expressing concern about merger
   - **October 2000**: Peerless customers ask that City intervene to block merger
   - **October 9, 2000**: Public comments made at City Council meeting requesting City’s action to block merger
October 9, 2000  City Council adopts resolution opposing the proposed merger
October 10, 2000  City sends letter to Peerless Water customers regarding merger
October 17, 2000  CPUC conducted a “Public Participation Hearing” in Bellflower
October 23, 2000  Public comments made at City Council meeting requesting City’s action to block merger
November 27, 2000  Public comments made at City Council meeting requesting City’s action to block merger
November 13, 2000  City Council ordered a letter sent to Peerless customers with CPUC contact information
November 8, 2001  CPUC denied the proposed merger
August 2002  City began formal negotiations for price and terms of payment for Peerless Water System
November 25, 2002  City Council approved an agreement (AFN 348) with Bucknam and Associates for water system consulting and engineering services
August 23, 2004  City Council approved the issuance of Negative Declaration for the acquisition of the Peerless Water Company water system
May 24, 2004  City Council authorized 1) making an offer to purchase and negotiate for the acquisition of Peerless Water Company assets in the City of Bellflower; 2) taking necessary actions to permit the City Council to consider the issuance of water revenue bonds for the acquisition; and 3) negotiating agreement(s) with Bellflower Somerset Mutual Water Company pertaining to the operation of the water system after acquisition
February 2004  Responsibility for oversight of the City’s acquisition of Peerless Water Company was assigned to the Assistant City Manager
December 13, 2004  City Council initiated action to condemn Peerless Water Company
February 2005  City suspended negotiations to purchase Peerless Water System
May 2005  City entered into litigation with Peerless Water Company
June 2006  Bellflower Public Financing Authority (BFA) created
5. **Statewide Drought.** At the close of California’s 2009 “wet” season, our statewide drought continues. While above average precipitation in February and March have helped, an average October, and significantly below average precipitation in November, December and January have led to a third dry year.

As of April 28, 2009, the statewide snowpack, the source of one-third of California’s water supply, stood at 68% of average, substantially below historic averages.

Beginning in May 2008, Governor Schwarzenegger issued a series of Executive Orders, including the proclamation of a "condition of statewide drought,” directing the Departments of Water Resources and Public Health to take immediate steps to conserve water and calling upon local water agencies to take aggressive, immediate action to reduce water consumption locally and regionally.

The drought continues and stored water reserves continue to decline; the price for “imported” water has increased. Despite increased prices and voluntary conservation efforts, more aggressive water conservation measures are needed to prevent further loss of water reserves and potential water rationing.

6. **Water Conservation.** Although the City in the past has principally relied on voluntary water conservation measures, faced with a statewide drought, the increasing cost of imported water, and the Governor’s call for more aggressive water conservation measures, the City
Municipal Water System 2009 Annual Report (Continued)

has adopted mandatory water conservation measures. The ordinance includes new regulations for hose watering, watering lawns and landscaping, indoor plumbing and fixtures, washing vehicles, drinking water in restaurants, and bi-annual reporting by the Director of Public Works, while retaining existing language for water-efficient landscaping, and adoption of emergency measures by resolution. The new ordinance will take effect in August 2009.

7. Water Sources. Water used by Bellflower customers is either “groundwater” (i.e., water pumped from a well) or “imported water” (i.e., water transported via aqueduct or pipe from a remote source - Colorado River, Sacramento Delta, etc.). These water supplies are not unlimited, therefore it is necessary to conserve water and prevent the unnecessary and wasteful use of these limited resources.

The City is served by four retail water providers, each of whom rely on a combination of groundwater and imported water sources:

<table>
<thead>
<tr>
<th>Water Provider</th>
<th>Percent of City Served</th>
<th>Service Demand</th>
<th>Water Source</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Groundwater</td>
</tr>
<tr>
<td>Bellflower Municipal Water System¹</td>
<td>10%</td>
<td>815 af/yr</td>
<td>38%</td>
</tr>
<tr>
<td>Bellflower-Somerset Mutual Water Company</td>
<td>81%</td>
<td>5,703 af/yr</td>
<td>77%</td>
</tr>
<tr>
<td>Park Water Company²</td>
<td>25%</td>
<td>2,337 af/yr</td>
<td>20%</td>
</tr>
<tr>
<td>Bellflower Home Gardens Water Company</td>
<td>4%</td>
<td>420 af/yr</td>
<td>0%</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
<td>9,275 af/yr</td>
<td>56%</td>
</tr>
</tbody>
</table>

8. Water Costs. The cost of water is determined by its source. Ground water (i.e., water pumped from the MWS' own wells) is the least expensive. Imported water (i.e., water from a third party) is more expensive, and the price is determined by the provider.

Relatively speaking, the least expensive imported water is that provided by the MWD. Unfortunately the MWS cannot buy water directly from the MWD as the MWS has no direct connection to the MWD's infrastructure. MWD water must pass through third-party provider systems to get to the MWS, and those providers charge a premium (up to “whatever the market will bear”) for the use of their system. While the MWD rate is scheduled to increase 21.1% on September 1, 2009, and projected to increase by 21.5% on January 1, 2011, CBMWD will increase its Administrative Surcharge on July 1, 2009, January 1 and July 1, 2010, and January 1, 2011.

CBMWD's retail rate for treated domestic water charges include the MWD Tier 1 rates plus and additional Administrative Surcharge on top of MWD's rates. The following is a breakdown of the current and proposed rate structures for both as well as their total and % differentials both incremental and cumulative for each period indicated in the table.

¹ Prior to the loss of Well 17, groundwater accounted for 50% of the water delivered, and 50% was imported. The loss of Well 17 represented a loss of 12% of our service demand and 30% of our pumping capacity.
² Park Water Company's service demand is extrapolated from data for its Bellflower-Norwalk service area. Percent served and water source data is specific to Bellflower.
City of Bellflower  
Municipal Water System  
October 6, 2009  
Page 8 of 13

Municipal Water System 2009 Annual Report (Continued)

<table>
<thead>
<tr>
<th>Category</th>
<th>Current</th>
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<th>Jul 10</th>
<th>Jan 11</th>
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<td>$579/af</td>
<td>$701/af</td>
<td>$701/af</td>
<td>$701/af</td>
<td>$852/af</td>
</tr>
<tr>
<td>MWD Readiness-to-Serve Charge</td>
<td>$12/af</td>
<td>$12/af</td>
<td>$18/af</td>
<td>$18/af</td>
<td>$18/af</td>
<td>$18/af</td>
</tr>
<tr>
<td>CBMWD Rates Administrative Surcharge</td>
<td>$44/af</td>
<td>$62/af</td>
<td>$62/af</td>
<td>$72/af</td>
<td>$92/af</td>
<td>$92/af</td>
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<td><strong>Totals</strong></td>
<td><strong>$635/af</strong></td>
<td><strong>$653/af</strong></td>
<td><strong>$781/af</strong></td>
<td><strong>$791/af</strong></td>
<td><strong>$811/af</strong></td>
<td><strong>$962/af</strong></td>
</tr>
<tr>
<td>% Incremental</td>
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<td>19.60</td>
<td>1.28</td>
<td>2.53</td>
<td>18.62</td>
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<tr>
<td>% Cumulative</td>
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<td>2.83</td>
<td>22.69</td>
<td>24.57</td>
<td>27.72</td>
<td>51.50</td>
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</tbody>
</table>

Note: These rates are based upon information on the MWD website and from the latest CBMWD rate increase proposal, CBMWD Resolution No. 06-09-760, June 24, 2009.

Current and estimated future costs are:

<table>
<thead>
<tr>
<th>Source</th>
<th>MWS Current and Estimated Future Water Costs</th>
<th>Rate per Acre Foot</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Provider</td>
<td>MWS % Used</td>
</tr>
<tr>
<td>Ground Water</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Municipal Water System</td>
<td></td>
<td>34%</td>
</tr>
<tr>
<td>MWD via CBMWD</td>
<td></td>
<td>0%</td>
</tr>
<tr>
<td>Imported</td>
<td></td>
<td>54%</td>
</tr>
<tr>
<td>Bellflower Somerset Mutual Water Company</td>
<td></td>
<td>12%</td>
</tr>
<tr>
<td>Park Water Company</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

9. Water Rates. Water rates have been raised twice since the MWS began operations in January 2007. The rates were raised in June 2007 and again in June 2008. Assuming the average customer uses 3,600 cubic feet of water per bimonthly billing period, in January 2007 the average Peerless customer paid $88.36 per bimonthly billing period. Presently the average MWS customer pays $148.53 per bimonthly billing period. The total increase, while significant, amounts to roughly $1 per day. The ultimate cost is roughly one-half penny for every gallon of water used by the consumer.

Pursuant to Paragraph 9 of the Amended Operating Agreement between the City of Bellflower and Bellflower-Somerset Mutual Water Company (the “Operator), the Operator

---

3 January 2011 rate is presently projected, but not yet formally proposed or adopted.
4 MWD has not yet announced any change to its Readiness-to-Serve Charge for July 2010 or January 2011.
5 July 2010 rate is presently proposed, but not yet formally adopted.
6 Upon completion of a high capacity well, although water would still have to be delivered via third-party systems, the cost would be substantially reduced (i.e., at current rates the cost to provide MWS groundwater from a high capacity well via the Bellflower-Somerset system would be $329/AF).
7 MWS’ rate per acre foot includes electrical service, chemical treatment, and the Water Replenishment District’s (WRD) recharge assessment; it does not include repair, maintenance, labor or depreciation.
8 The projected rates per acre foot assume no increase to the MWS’ cost of production, or the third-party providers’ service charge. Both are likely to increase over time.
9 If the MWS is unable to keep its existing wells in service, the percent of imported water used will increase dramatically.
10 The MWS has no direct connection to the MWD or CBMWS and must import water through third party providers.
11 BSMWC’s surcharge is currently $65/AF.
12 Park Water Company’s surcharge is currently $805/AF.
13 Once Mapledale-Van Ruiten Interconnect is completed, except for emergencies, MWS will no longer import water from Park Water Company.
Municipal Water System 2009 Annual Report (Continued)

must "by April 10 of each year...provide the City with a schedule of the proposed Water Rates for the ensuing Water Year." The Operator is required to do so, whether or not any rate change is proposed.

The following is a summary history of the water rate changes made since the City’s acquisition of the MWS in January 2007 (note: the decreased average customer’s cost is due to decreased customer’s use).

<table>
<thead>
<tr>
<th></th>
<th>Service Charge(^{14})</th>
<th>Commodity Charge(^{15})</th>
<th>Average Customer’s Use(^{16})</th>
<th>% Change From Prior</th>
<th>% Change From Initial</th>
</tr>
</thead>
<tbody>
<tr>
<td>Initial Rate</td>
<td>$26.44</td>
<td>$1.720</td>
<td>36.00 ccf/birm</td>
<td>$88.36</td>
<td>NA</td>
</tr>
<tr>
<td>2007</td>
<td>$68.98</td>
<td>$2.051</td>
<td>36.00 ccf/birm</td>
<td>$142.82</td>
<td>62%</td>
</tr>
<tr>
<td>2008</td>
<td>$71.74</td>
<td>$2.133</td>
<td>30.27 ccf/birm</td>
<td>$136.30</td>
<td>4%</td>
</tr>
<tr>
<td>2009 Proposed</td>
<td>$74.26</td>
<td>$2.208</td>
<td>30.27 ccf/birm</td>
<td>$141.10</td>
<td>3.5%</td>
</tr>
</tbody>
</table>


a. Decommissioning and Closure of 12 Inoperative Wells. 12 of 16 water wells acquired from Peerless Water Company were found abandoned or permanently inactive, but not properly decommissioned in accordance with County and State regulations. By properly closing the wells we eliminated a potential source of water contamination, potential liability due to accident or injury, and made the properties available for sale or “quit-claim” to the underlying property owners. Completed in November 2008.

b. System Interconnection at Lakewood and Walnut. The MWS’ Zone 1 (bounded by Lakewood Boulevard, the City’s westerly border, Walnut Street, and Dunbar Street) provides water from two active wells, but is not connected to alternate sources. The interconnection completed in June 2008 connects Zone 1 to Bellflower-Somerset Mutual Water Company’s 12-inch distribution line at the corner of Lakewood Boulevard and Walnut Street. The new interconnect ensures redundancy of water service, including fire flow, in case of equipment or power failure, or in the event of a disaster or other emergency.

c. Replacement of Well 8’s Expansion Tank and Pump. Completed emergent replacement of the expansion tank at Well No. 8. In September 2008, the expansion tank at Well No. 8 failed which resulted in the well being taken off-line until the tank could be replaced. Replacement of the tank was completed in February 2009. In March 2009, we discovered that Well 8 was contaminated by lubricating oil leaking from the well pump’s seals, and that the pump was beyond repair. The pump was replaced with the pump recently purchased for Well 17 and the well returned to service in June 2009.


\(^{14}\) Bimonthly service charge for 5/8 x 3/4-inch meter  
\(^{15}\) Per 100 cubic feet of water used; 100 cubic feet of water is equal to 748 gallons  
\(^{16}\) Actual per customer average 100 cubic feet of water used bimonthly  
\(^{17}\) Average bimonthly water bill using average usage and 5/8 x 3/4-inch meter
Municipal Water System 2009 Annual Report (Continued)

e. Service Connections. Replaced 315 customer service connections.


g. System Flushing. Continued regular system flushing on a six-month cycle.


a. Grants and Loans. Continue our aggressive pursuit of federal grant and loan funds needed to rebuild the Water System.

b. Complete the Mapledale to Van Ruiten Interconnect. In August 2009, the City began construction of a 2,500 foot pipeline connecting customers in System 9 (the area bounded by Foster Road, Regentview Avenue, Greenhurst Street, and the San Gabriel River) to Bellflower-Somerset Mutual Water Company’s 12-inch distribution line at McNab and Mapledale. The $331,000 project, which is being built using federal grant funds and proceeds from the 2008 Certificates of Participation, will allow the MWS to purchase water at a substantial savings. The project is due to be completed by November 1, 2009.

c. Begin Construction of High Capacity Well #1. The MWS has three active wells, all old, shallow (less that 300 feet), and of limited capacity. Three of these wells exceed the secondary maximum contaminant level for manganese and must either be replaced or provided with expensive treatment equipment at a cost of more than $100,000 per well.

The City’s highest priority capital project is the installation of a High Capacity Well to serve the needs of our MWS customers as well as the community at-large. A typical high capacity well operating at 50% capacity should be able to pump 2,500 acre feet/year or 300% percent of the MWS’ annual demand. The new well would enable the MWS to pump its own water rights, which are sufficient to meet the needs of its customers. The resulting savings, along with potential revenue from the lease of surplus pumping rights, will provide local matching funds to be used with future federal grants to pay for capital improvements, reimburse the City’s general fund for monies previously advanced to the MWS without interest, and provide some buffer against future significant rate increases.

The estimated cost of the High Capacity Well is $2.32 million, with an estimated $966,330 available in federal grants and up to $815,179 in unallocated Certificates of Participation (COPS) proceeds. An additional $508,491 is required from other sources.

In March 2009, we received EPA’s approval of a Categorical Exclusion for the high capacity well, and in August, the City began design of a High Capacity Well. We expect to begin drilling operations in February 2010, and have the well in service by July 2011.

d. Water System Reconstruction - Planning. Begin planning for the phased reconstruction of the water system, including replacement of water mains, hydrants, meters and service connections.
e. Water System Reconstruction – System 1 Partial Reconstruction - Using $319,000 in federal American Recovery and Reinvestment Act funds, the City is finalizing plans to replace the water system that serves up to 74 MWS customers in the low- and moderate-income census tract (Tract # 5543) which includes those portions of Oak and Belmont Streets between Pimenta and Hayter Avenues, as well as sections on Pimenta Avenue and Mayne Street. The project includes replacement of main lines, service laterals, hydrants and service connections, and the relocation and as needed replacement of water meters. The project is expected to begin in January 2010 and be completed by March 2010. By use of federal funds that do not require matching local funds, the project will be accomplished at no direct cost to the MWS customers. By replacing the above described portions of the water system infrastructure we will reduce operation, maintenance and repair costs.

f. Service Connections. On a significantly reduced scale, continue program for phased replacement of customer service connections.

g. Water Meters. On a significantly reduced scale, continue program for phased replacement of water meters.

h. System Flushing. Continue regular system flushing on a six-month cycle.

i. Residential Ratepayer Assistance Programs. The City provides several ratepayer assistance programs to qualified residential customers:

1. Amortization Payment Plan. Any residential customer who, on the certification of a licensed physician and surgeon that the termination of water service will be life threatening to the customer, and upon the customer providing information to demonstrate that the customer is financially unable to pay for service within the normal payment period, and who is willing to enter into an amortization agreement with the City with respect to all charges that the customer is unable to pay prior to delinquency shall, upon request, be permitted to amortize, over a period not to exceed 12 months, the unpaid balance of any bill asserted to be beyond the means of the customer to pay within the normal period for payment. Customers seeking more information about this program should contact the Municipal Water System office.

2. Low Income Assistance Program for Water Rate Increases. At any time that the City implements an increase in the water rate(s) charged, qualified low income residential customers may be determined by the City to be exempt from payment of fifty percent (50%) of the increase for a period not to exceed two years. The City Manager will establish additional rules and regulations necessary to administer this program. Customers seeking more information about this program should contact the Municipal Water System office.

3. Low Income Assistance Program for Service Line Repairs. Subject to the availability of funds, qualified low income residential customers may receive a deferred loan under the City’s Home Improvement Program for the purpose of
repairing service lines (i.e., the line connecting the meter to the house, up to the customer's turn-off valve). The City Manager will establish additional rules and regulations necessary to administer this program. Customers seeking more information about this program should contact the Municipal Water System office.

12. Challenges.

a. Failure of Existing Wells. Of the four operating water wells purchased in January 2007, one has subsequently failed and the other three are contaminated and must be permanently taken out-of-service by October 2011.

1. Failure of Well 17. Well 17 was the MWS' newest, deepest, and highest producing well (139 a/f/yr); serving customers in the Zone 8 service area (southeast corner of the City). In March 2008 the well's pumping rate dropped dramatically, resulting in severe strain on pump motor and a decision to take the well off-line for investigation and repair.

The well's failure was due to the collapse of the bottom portion of the well casing, and bacterial (pseudomonas stutzeri) contamination. After an exhaustive effort it was determined that the well was beyond economical repair. In May 2009, Well 17 was permanently taken out-of-service. The effort to save Well 17 cost approximately $50,000 in direct costs plus $30,000 in increased costs for imported water.

2. Manganese Contamination of Wells 2, 3, and 8. Wells 2, 3, and 8 each have manganese contamination above the maximum permissible levels and must either be replaced or provided with expensive treatment equipment at a cost of more than $100,000 per well. The California Department of Public Health (CDPH) has given the MWS until 2011 to 1) replace the wells, 2) treat the water, or 3) replace the wells' output with imported water.

b. Increasing Cost of Imported Water.

1. Water Imported to Meet Regular Demand. On September 1, 2009, the MWD will implement a 21.1% rate increase. Since the MWS imports about 66% of the water needed to serve its customers from the MWD, the pending rate increase will result in an approximate 7% increase to operating costs in FY 2009-10 and a 15% increase in FY 2010-2011 (based on the 2008-09 operating budget, $26,708 in FY 2009-10, and $57,233 in FY 2010-2011). By January 1, 2011, MWD/CBMWD rates are expected to rise by 51.52% over current rates.

2. Water Imported to Replace Groundwater Pumping Capacity. The loss of Well 17 and the significant time off-line by Well 8 during 2008-09 has resulted in an increased need for imported water. The estimated annual cost of imported water necessary to replace these wells' normal pumping capacity is $60,000 at current rates of which $30,000 is a permanent increase.

c. Requirement to Make Principal and Interest Payments. Beginning in October 2010, the City must begin making principal payments to the holders of the Certificates of Participation (COP) issued in July 2008, at an initial additional annual cost of $135,000.
d. **Ongoing Replacement of Meters and Service Connections.** The MWS remains committed to an ongoing program for the replacement of known existing bad meters and service connections. These efforts are designed on one hand to ensure that we correctly bill our customers for the amount of water used; and on the other to improve the quality of the water delivered.
## Proposed MWS 2009-2010 Operating Budget

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Potable Water Sales</td>
<td>$407,834</td>
<td>$1,442,099</td>
<td>$1,436,449</td>
<td>$1,499,249</td>
</tr>
<tr>
<td>Reclaimed Water Sales</td>
<td>5,059</td>
<td>18,495</td>
<td>15,620</td>
<td>15,533</td>
</tr>
<tr>
<td>Water Rights Lease</td>
<td>17,987</td>
<td>62,400</td>
<td>78,831</td>
<td>68,600</td>
</tr>
<tr>
<td>Late Fees, NSF Fees &amp; Misc.</td>
<td>10,302</td>
<td>30,197</td>
<td>21,681</td>
<td>20,000</td>
</tr>
<tr>
<td>Sale of Property</td>
<td>2</td>
<td>-</td>
<td>-</td>
<td>(2)</td>
</tr>
<tr>
<td>EPA Grant</td>
<td>-</td>
<td>35,548</td>
<td>2,222</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$441,164</td>
<td>$1,568,739</td>
<td>$1,555,803</td>
<td>$1,603,382</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Expenses</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Operations Component (less water purchases &amp; labor)</td>
<td>191,993</td>
<td>267,664</td>
<td>159,112</td>
<td>225,500</td>
</tr>
<tr>
<td>Water Purchases &amp; WRD Surcharge</td>
<td>164,395</td>
<td>347,498</td>
<td>436,035</td>
<td>409,462</td>
</tr>
<tr>
<td>Labor</td>
<td>175,063</td>
<td>355,608</td>
<td>307,285</td>
<td>316,000</td>
</tr>
<tr>
<td>City Administrative Cost Component (less water consultant)</td>
<td>20,707</td>
<td>36,930</td>
<td>19,865</td>
<td>41,500</td>
</tr>
<tr>
<td>Water Consultant (Bucknam &amp; Associates)</td>
<td>82,446</td>
<td>161,354</td>
<td>121,077</td>
<td>120,000</td>
</tr>
<tr>
<td>Bond Component</td>
<td>-</td>
<td>-</td>
<td>292,159</td>
<td>402,818</td>
</tr>
<tr>
<td>Rate Stabilization Fund</td>
<td>-</td>
<td>33,000</td>
<td>33,000</td>
<td>33,000</td>
</tr>
<tr>
<td>Capital Improvements – Operator</td>
<td>-</td>
<td>68,522</td>
<td>53,687</td>
<td>55,302</td>
</tr>
<tr>
<td>Capital Improvements – City</td>
<td>54,241</td>
<td>129,336</td>
<td>362,887</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$688,665</td>
<td>$1,395,902</td>
<td>$1,764,827</td>
<td>$1,603,382</td>
</tr>
</tbody>
</table>

**SURPLUS (SHORTFALL) - Annual**

<table>
<thead>
<tr>
<th></th>
<th>2006-07</th>
<th>2007-08</th>
<th>2008-09</th>
<th>2009-10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Surplus (Shortfall) - Percent of Water Sales</td>
<td>-60.0%</td>
<td>12.9%</td>
<td>-15.7%</td>
<td>0.0%</td>
</tr>
</tbody>
</table>

**SURPLUS (SHORTFALL) - Cumulative**

<table>
<thead>
<tr>
<th></th>
<th>2006-07</th>
<th>2007-08</th>
<th>2008-09</th>
<th>2009-10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Surplus (Shortfall) - Cumulative Total</td>
<td>$247,701</td>
<td>$688,664</td>
<td>$287,858</td>
<td>$237,083</td>
</tr>
</tbody>
</table>

**OPERATING DEFICITS (AUDITED THROUGH 2007-08)**

<table>
<thead>
<tr>
<th></th>
<th>2007-08</th>
<th>2008-09</th>
<th>2009-10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cumulative Total</td>
<td>$(281,081)</td>
<td>$(584,432)</td>
<td>$715,069</td>
</tr>
</tbody>
</table>

**CASH DEFICITS ADVANCED FROM GENERAL FUND**

<table>
<thead>
<tr>
<th></th>
<th>2006-07</th>
<th>2007-08</th>
<th>2008-09</th>
<th>2009-10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cumulative Total</td>
<td>$(276,595)</td>
<td>$(309,721)</td>
<td>$(663,024)</td>
<td>TBD</td>
</tr>
</tbody>
</table>

**GENERAL FUND LOW INCOME SUBSIDY INCLUDED IN WATER SALES**

<table>
<thead>
<tr>
<th></th>
<th>2007-08</th>
<th>2008-09</th>
<th>2009-10</th>
<th>2010-11</th>
</tr>
</thead>
<tbody>
<tr>
<td>Included in Water Sales</td>
<td>$(2,947)</td>
<td>$1,594</td>
<td>$(20,000)</td>
<td></td>
</tr>
</tbody>
</table>

---

1. Projects 676 af will be sold in FY 09-10
2. FY 08-09 budget included $250,000 in revenue from the sale of real property; a sale that was not accomplished
3. FY 09-10 data projects 700 af purchased, including 676 af sold and 24 af expended for operations (flushing, leaks, etc.)
4. City Administrative Cost Component does not include City personnel costs or foregone interest, estimated at approximately $110,000 per year
5. Includes contract services provided in connection with capital projects
6. Material only, labor for capital projects is included in Operations Component
7. In FY 09-10 the City expects to spend $1,364,000 ($1,000,000 for High Capacity Well and $364,000 for Mapledale/ Van Ruiten Interconnect) using federal grants and proceeds from the 2008 Certificates of Participation
8. Presentation based on how budget is adopted
9. Based on audited information through FY 2007-08; accrual basis of accounting which is different from budget-based presentation
10. Cumulative cash deficit as of June 30th of indicated fiscal year, includes initial operating capital advanced to the Water Operator without interest per Operating Agreement.
Bellflower Municipal Water System
Schedule of Proposed Water Rates
for Fiscal Year 2009-10

PROPOSED RATE INCREASE:

<table>
<thead>
<tr>
<th>Meter Size</th>
<th>Quantity</th>
<th>Per Unit (Current Rates)</th>
<th>Estimated Current Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>5/8&quot; x 3/4&quot;</td>
<td>1,765</td>
<td>$35.87</td>
<td>$759,727</td>
</tr>
<tr>
<td>3/4&quot;</td>
<td>22</td>
<td>$54.87</td>
<td>$14,486</td>
</tr>
<tr>
<td>1&quot;</td>
<td>8</td>
<td>$89.73</td>
<td>$8,614</td>
</tr>
<tr>
<td>1 1/2&quot;</td>
<td>3</td>
<td>$179.40</td>
<td>$6,458</td>
</tr>
<tr>
<td>2&quot;</td>
<td>15</td>
<td>$287.06</td>
<td>$51,671</td>
</tr>
<tr>
<td>3&quot;</td>
<td>1</td>
<td>$538.22</td>
<td>$6,459</td>
</tr>
<tr>
<td>4&quot; Fire</td>
<td>1</td>
<td>$60.57</td>
<td>$727</td>
</tr>
<tr>
<td>Total</td>
<td>1,815</td>
<td></td>
<td>$62,68</td>
</tr>
</tbody>
</table>

Potable 294,680 CCF $2,133 $628,552 $650,653
Reclaimed 5,402 CCF $1,419 $7,665 $7,936

ESTIMATED TOTAL WATER REVENUE

$1,484,359
$1,536,512

ESTIMATED REVENUE INCREASE - ANNUAL

$52,153

ESTIMATED REVENUE INCREASE - 7 MONTHS
(RATE INCREASE NOT EFFECTIVE FOR APPROXIMATELY THE FIRST 5 MONTHS)

$30,423

(A) Charge is based on each inch of diameter
Per inch rate: $15.14
City of Bellflower  
Michael J. Egan, City Manager  
16600 Civic Center Drive  
Bellflower, CA 90706  

May 11, 2009  

RE: Annual Water Rate Determination – 2009  
Bellflower Municipal Water System  

Dear Mr. Egan:  

We have received from your staff the information on the City’s projected budget for certain components of the Bellflower Municipal Water System. Our calculations are based on that information as well as our projections of the day to day costs of operations.  

We all realize that the cost of acquiring Peerless Water Co. was based on a considerable amount of deferred Capital Improvements. The City relied on their consultants to determine the amount of Capital Improvements that would be necessary when they negotiated the price of the acquisition. If the Capital Improvements had been made by the previous owners the cost would have been much greater. As it turned out, the projected necessary Capital Improvements needed were greatly underestimated. Generally, a business purchaser would capitalize the cost of the needed Capital Improvements and spread out that cost over a period of at least ten years, probably more, but a shorter period for short lived assets. Most of the Capital Improvements needed should last twenty, thirty or even fifty years or longer.  

We realize that the City has budget problems. However, is it right to ask the customers to pay for these Capital Improvements in a one year period?  

We would propose that the City, having made the commitment and purchased Peerless Water Company, to not plan on over burdening the customers with a one year recovery policy on both BSMWC Identified and City Proposed Capital Improvements. Instead the City should bite the bullet, so to speak, and invest their funds into BMWS with at least a ten year recovery period. This would negate the need for any rate increase at this time and you would still get the BSMWC identified, $245,740. worth of Capital Improvements for only a $114,158. investment.
Pursuant to paragraph 9 of the Operating Agreement (AFN320.4) on May 11, 2009 the Board of Directors of the Bellflower-Somerset Mutual Water Company approved the attached proposed budget and water rate calculations for the Bellflower Municipal Water System for the 2009-2010 water year.

We recommend that the City invest the estimated $114,158. shortfall of cash flow and not raise the rates.

Sincerely,

Jerry W. Larsen
President, Board of Directors

Attachment

Bellflower Municipal Water System Proposed Budget – 2009-2010
Bellflower Municipal Water System  
Estimated Budget  
July 1, 2009 thru June 30, 2010  

<table>
<thead>
<tr>
<th>NON RECURRING</th>
<th>OPERATING</th>
<th>CAPITAL IMPR.</th>
<th>TOTALS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>INCOME:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Water Sales</td>
<td>1,476,000.00</td>
<td></td>
<td>1,475,000.00</td>
</tr>
<tr>
<td>Reclaimed Water Sales</td>
<td>10,000.00</td>
<td></td>
<td>10,000.00</td>
</tr>
<tr>
<td>Late Fees, NSF Fees &amp; Misc.</td>
<td>20,000.00</td>
<td></td>
<td>20,000.00</td>
</tr>
<tr>
<td><strong>EXPENSES:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Acquisition Costs - Pmts</td>
<td></td>
<td>10,000.00</td>
<td>10,000.00</td>
</tr>
<tr>
<td>Administrative Support</td>
<td>20,000.00</td>
<td></td>
<td>20,000.00</td>
</tr>
<tr>
<td>Alarm &amp; Security</td>
<td>300.00</td>
<td></td>
<td>300.00</td>
</tr>
<tr>
<td>Benefits - Health Ins</td>
<td>46,000.00</td>
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<td>46,000.00</td>
</tr>
<tr>
<td>Benefits - Other - Pension</td>
<td>23,000.00</td>
<td></td>
<td>23,000.00</td>
</tr>
<tr>
<td>Communications</td>
<td>6,000.00</td>
<td></td>
<td>6,000.00</td>
</tr>
<tr>
<td>Maintenance - Lines &amp; Service</td>
<td>24,000.00</td>
<td></td>
<td>24,000.00</td>
</tr>
<tr>
<td>Maintenance -Equipment</td>
<td>8,000.00</td>
<td></td>
<td>8,000.00</td>
</tr>
<tr>
<td>Maintenance - General</td>
<td>44,000.00</td>
<td></td>
<td>44,000.00</td>
</tr>
<tr>
<td>Maintenance - Pumps &amp; Wells</td>
<td>5,000.00</td>
<td></td>
<td>5,000.00</td>
</tr>
<tr>
<td>Maintenance - Supplies &amp; Uniforms</td>
<td>4,000.00</td>
<td></td>
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<tr>
<td>Energy</td>
<td>30,000.00</td>
<td></td>
<td>30,000.00</td>
</tr>
<tr>
<td>Hydrants</td>
<td>500.00</td>
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<td>500.00</td>
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<td>Workers Comp Insurance</td>
<td>8,000.00</td>
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<tr>
<td>Insurance</td>
<td>16,500.00</td>
<td></td>
<td>16,500.00</td>
</tr>
<tr>
<td>Licenses &amp; Fees</td>
<td>18,000.00</td>
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<td>18,000.00</td>
</tr>
<tr>
<td>Office Supplies, Postage &amp; Exp</td>
<td>12,000.00</td>
<td></td>
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<tr>
<td>Professional Fees</td>
<td>12,000.00</td>
<td></td>
<td>12,000.00</td>
</tr>
<tr>
<td>Salaries &amp; P/R Taxes</td>
<td>216,000.00</td>
<td></td>
<td>216,000.00</td>
</tr>
<tr>
<td>Telephone</td>
<td>1,200.00</td>
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<td>Treatment &amp; Test</td>
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<td></td>
<td>23,000.00</td>
</tr>
<tr>
<td>Utilities</td>
<td>2,000.00</td>
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<td>2,000.00</td>
</tr>
<tr>
<td>Vehicle Exp - Fuel &amp; Repairs</td>
<td>12,000.00</td>
<td></td>
<td>12,000.00</td>
</tr>
<tr>
<td>* Water Purchases</td>
<td>437,000.00</td>
<td></td>
<td>437,000.00</td>
</tr>
<tr>
<td><strong>Sub Total</strong></td>
<td>968,500.00</td>
<td></td>
<td>10,000.00</td>
</tr>
<tr>
<td><strong>CAPITAL IMPROVEMENTS:</strong></td>
<td></td>
<td></td>
<td>978,500.00</td>
</tr>
<tr>
<td><strong>180 New Meters - Labor &amp; Mtls</strong></td>
<td>(54,000.00)</td>
<td>90,000.00</td>
<td>36,000.00</td>
</tr>
<tr>
<td><strong>120 New Services - Labor &amp; Mtls</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>60 Long Side</strong></td>
<td>(44,000.00)</td>
<td>86,640.00</td>
<td>42,640.00</td>
</tr>
<tr>
<td><strong>60 Short Side</strong></td>
<td>(27,800.00)</td>
<td>59,100.00</td>
<td>31,500.00</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td>842,900.00</td>
<td></td>
<td>245,740.00</td>
</tr>
<tr>
<td>OPERATING INCOME</td>
<td>663,100.00</td>
<td>(245,740.00)</td>
<td>417,360.00</td>
</tr>
</tbody>
</table>

Capital Improvements includes Labor and Benefits that are included in Operating Expenses therefore deducted therefrom. Deferred maintenance, start up costs, etc should be part of the Capital Improvement budget, Bond proceeds or Grant proceeds.

Respectfully submitted BSMWC by Jerry W. Larsen, President
Bellflower Municipal Water System  
Proposed Budget for Fiscal Year 2009-10

<table>
<thead>
<tr>
<th>SOURCES:</th>
<th>Adjusted w/o City Cap</th>
<th>Adjusted w/ $50K</th>
<th>Adjusted w/ $100K</th>
<th>Adjusted w/ $200K</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water Sales</td>
<td>$1,486,000</td>
<td>$1,486,000</td>
<td>$1,486,000</td>
<td>$1,486,000</td>
</tr>
<tr>
<td>Water Rights Lease</td>
<td>66,600</td>
<td>68,600</td>
<td>68,600</td>
<td>68,600</td>
</tr>
<tr>
<td>Other (Interest, penalties, fees, etc.)</td>
<td>20,000</td>
<td>20,000</td>
<td>20,000</td>
<td>20,000</td>
</tr>
<tr>
<td>Sale of Property</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>TOTAL SOURCES</strong></td>
<td><strong>$1,574,600</strong></td>
<td><strong>$1,574,600</strong></td>
<td><strong>$1,574,600</strong></td>
<td><strong>$1,574,600</strong></td>
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</table>

<table>
<thead>
<tr>
<th>USES:</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Operations Component</td>
<td>$842,900</td>
<td>$842,900</td>
<td>$842,900</td>
<td>$842,900</td>
</tr>
<tr>
<td>City Administrative Cost Component</td>
<td>161,500</td>
<td>161,500</td>
<td>161,500</td>
<td>161,500</td>
</tr>
<tr>
<td>Bond Component</td>
<td>(A)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rate Stabilization Fund ($100,000 maximum)</td>
<td>402,818</td>
<td>402,818</td>
<td>402,818</td>
<td>402,818</td>
</tr>
<tr>
<td>Capital Improvements Component (BSMWC Identified)</td>
<td>33,000</td>
<td>33,000</td>
<td>33,000</td>
<td>33,000</td>
</tr>
<tr>
<td>Capital Improvements Component (City Proposed)</td>
<td>245,740</td>
<td>245,740</td>
<td>245,740</td>
<td>245,740</td>
</tr>
<tr>
<td><strong>TOTAL USES</strong></td>
<td><strong>$1,688,758</strong></td>
<td><strong>$1,738,758</strong></td>
<td><strong>$1,788,758</strong></td>
<td><strong>$1,888,758</strong></td>
</tr>
</tbody>
</table>

Shortfall                    | $-(114,158)          | $-(164,158)      | $-(214,158)       | $-(314,158)       |
Rate increase needed to cover shortfall | -7.7%               | -11.0%           | -14.4%            | -21.1%            |

(A) Interest-only payments for the first 2 years (32-year term on the bonds). Beginning in October 2010, the principal amortization commences for a period of 30 years. The first principal payment is $135,000.
BMWS PROPOSED RATE INCREASE:

<table>
<thead>
<tr>
<th>CITY CAPITAL IMPROVEMENT COMPONENT:</th>
</tr>
</thead>
<tbody>
<tr>
<td>7.7%</td>
</tr>
<tr>
<td>0.00</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Mater Size</th>
<th>Quantity</th>
<th>$ Per Unit (Current Rates)</th>
<th>Estimated Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>5/8&quot; x 3/4&quot;</td>
<td>1,785</td>
<td>35.87</td>
<td>759,732</td>
</tr>
<tr>
<td>3/4&quot;</td>
<td>22</td>
<td>84.87</td>
<td>14,484</td>
</tr>
<tr>
<td>1&quot;</td>
<td>8</td>
<td>89.73</td>
<td>6,818</td>
</tr>
<tr>
<td>1 1/2&quot;</td>
<td>3</td>
<td>179.40</td>
<td>6,456</td>
</tr>
<tr>
<td>2&quot;</td>
<td>15</td>
<td>287.06</td>
<td>51,672</td>
</tr>
<tr>
<td>3&quot;</td>
<td>1</td>
<td>538.22</td>
<td>6,456</td>
</tr>
<tr>
<td>4&quot;</td>
<td>1</td>
<td>Fire 60.57 (A)</td>
<td>732</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Estimated Revenue (Proposed)</th>
<th>$ Per Unit</th>
<th>Estimated Revenue (Proposed)</th>
<th>$ Per Unit</th>
<th>Estimated Revenue (Proposed)</th>
<th>$ Per Unit</th>
<th>Estimated Revenue (Proposed)</th>
<th>$ Per Unit</th>
</tr>
</thead>
<tbody>
<tr>
<td>38.63</td>
<td>818,154</td>
<td>40</td>
<td>843,384</td>
<td>41.04</td>
<td>869,232</td>
<td>43.44</td>
<td>920,034</td>
</tr>
<tr>
<td>59.09</td>
<td>16,800</td>
<td>61</td>
<td>16,080</td>
<td>62.77</td>
<td>16,672</td>
<td>66.45</td>
<td>17,544</td>
</tr>
<tr>
<td>98.36</td>
<td>9,276</td>
<td>100</td>
<td>9,564</td>
<td>102.65</td>
<td>9,862</td>
<td>108.66</td>
<td>10,428</td>
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<tr>
<td>193.21</td>
<td>6,360</td>
<td>199</td>
<td>7,164</td>
<td>205.23</td>
<td>7,392</td>
<td>217.25</td>
<td>7,824</td>
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<tr>
<td>309.16</td>
<td>55,644</td>
<td>319</td>
<td>57,360</td>
<td>328.40</td>
<td>59,112</td>
<td>347.63</td>
<td>62,588</td>
</tr>
<tr>
<td>573.66</td>
<td>6,960</td>
<td>697</td>
<td>7,164</td>
<td>615.72</td>
<td>7,392</td>
<td>651.78</td>
<td>7,824</td>
</tr>
<tr>
<td>65.23</td>
<td>780</td>
<td>67</td>
<td>804</td>
<td>68.28</td>
<td>826</td>
<td>73.39</td>
<td>876</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Total</th>
<th>1,815</th>
<th>1,815</th>
</tr>
</thead>
</table>

| Potable | 294,352 | 2.13 | 627,363 | 2.30 | 676,127 | 2.44 | 718,219 | 2.56 | 760,311 |
| Reclaimed | 7,047 | 1.42 | 10,000 | 1.53 | 10,768 | 1.62 | 11,437 | 1.72 | 12,107 |

ESTIMATED TOTAL WATER REVENUE: 1,486,001

ESTIMATED REVENUE INCREASE:

| $ 114,288 | 163,644 | 214,035 | 313,545 |

(A) Charge is based on each inch of diameter
City of Bellflower
Municipal Water System
NOTICE OF WATER RATE INCREASE
September 24, 2009

Notice is hereby given that at a public meeting the Bellflower City Council will hold a public hearing on Monday, November 9, 2009, at 7:00 p.m. at City Hall, 16800 Civic Center Drive, Bellflower, California, to consider proposed increases to the water rates and charges applicable to the City’s Municipal Water System.

The proposed increase would be 3.5% of each customer’s total bi-monthly water bill. The actual dollar amount of increase would vary depending on a customer’s actual water use.

The proposed increases are necessary to pay for increased operating costs principally due to a twenty-five percent increase in the cost of water that must be purchased from the Metropolitan Water District of Southern California through Central Basin Municipal Water District.

Change in Noticing Requirements. Recent changes to State law allow the City to provide notice only to the customer-of-record as shown on the application for water service on file at the Municipal Water System office (i.e., the person(s) to whom the water bill is addressed), and not to property owners who are not also customers-of-record. You, as a customer-of-record of the City’s Municipal Water System, are entitled to notice of proposed increases in the rates charged such customers.

PROPOSED CHARGES

The City of Bellflower is your water service provider. The present charges have been in effect since June 16, 2008. The City proposes to increase the charges beginning November 16, 2009.

ACTUAL CHARGE FOR YOUR SERVICE ADDRESS. The commodity charge will increase from $2.133 per 100 cubic feet of water used to $2.208 per 100 cubic feet of potable water used. Our records show the water meter for your service address is a 5/8 x 3/4 inch meter so your service charge will increase from 35.87 to 37.13. The actual total charge which will be imposed through the bill for water service will be calculated by adding the service charge to the amount of the commodity charge multiplied by the amount of water used at your property. The net increase to the average water bill is estimated to be $4.77 bimonthly, or $28.62 per year.

CURRENT AND PROPOSED CHARGES. The charge for water service has two components, a flat service charge which applies to each service connection to cover costs connected with the ability to make water immediately available to your service address, and a commodity charge which is directly related to the amount of water actually used. The following are the current and proposed charges:

Service Charge for Potable and Reclaimed Water. The service charge is a charge which is applied to each metered service and is in addition to the commodity charge. The service charge covers utility costs, labor and the cost for equipment and materials, reading meters, preparing and mailing bills and notices, repair and maintenance to the water system, and other fixed costs of providing service.

<table>
<thead>
<tr>
<th>Meter Size¹</th>
<th>Per Meter Per Month</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Current</td>
</tr>
<tr>
<td>For 5/8 x 3/4 inch meter</td>
<td>$35.87</td>
</tr>
<tr>
<td>For 3/4 inch meter</td>
<td>$54.87</td>
</tr>
<tr>
<td>For 1 inch meter</td>
<td>$89.73</td>
</tr>
<tr>
<td>For 1 1/2 inch meter</td>
<td>$179.40</td>
</tr>
<tr>
<td>For 2 inch meter</td>
<td>$287.06</td>
</tr>
<tr>
<td>For 3 inch meter</td>
<td>$538.22</td>
</tr>
</tbody>
</table>

¹ 1,771 of 1,819 meters are 5/8 x 3/4 inch size meters. The larger meters typically serve commercial properties and large multi-family residential buildings.
Commodity Charge for Potable and Reclaimed Water. The commodity charge is the rate charged per 100 cubic feet of water actually used:

<table>
<thead>
<tr>
<th>Service per 100 Cubic Feet of Water Used</th>
<th>Current</th>
<th>Proposed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Potable Water Metered Service</td>
<td>$2.133</td>
<td>$2.208</td>
</tr>
<tr>
<td>Reclaimed Water Metered Service</td>
<td>$1.419</td>
<td>$1.469</td>
</tr>
</tbody>
</table>

Service Charge for Fire Protection Systems. For all water service furnished to privately owned fire protection systems, per inch diameter of service connection, per meter, per month:

Current - $15.14
Proposed - $15.67

BASIS FOR THE CHARGES. The charges are based on the need to generate sufficient revenue to cover all of the actual costs of providing water service, including required repairs which the previous owner failed to make and upgrading of the water system needed to improve service. Since 2007, the charges have been calculated on the basis that approximately 55% of the revenue would be generated by the service charge and 45% by the commodity charge. The costs are made up of five components: (1) the operational costs incurred by the contractor the City has retained to operate the water system (Bellflower Somerset Mutual Water Company) such as the cost of purchasing water and operating pumps and wells, (2) the costs incurred directly by the City in operating the water system such as engineering costs to design improvements, (3) costs relating to bonds which are being issued to pay for the required repairs and improvements, (4) costs to develop a rate stabilization fund, and (5) costs for capital improvements which will not be paid for with bond proceeds.

REASON FOR THE CHARGES. The charges will permit the City to provide your property with water and to continue repairing and up-grading the water system. The revenue generated by the charges will be used only for the operation of the water system. The City is prohibited by law from using such revenue for any other purpose.

PROPOSITION 218 – WRITTEN PROTEST. Customers-of-Record, as defined under Proposition 218 (as implemented by Assembly Bill 1260) may comment on the proposed fees in writing prior to or orally during the public hearing. Consistent with the provisions of Proposition 218, this notice has been mailed to all customers-of-record of the City's Municipal Water System to the current billing address as they appear on the application for water service. If you are a customer-of-record and wish to protest the proposed fees as described in this Notice, then you must file a written protest with the City at or before the time set for the public hearing (i.e., 7:00 p.m. on Monday, November 9, 2009). Protests can be mailed or personally delivered to the City Clerk as follows:

By Mail or In Person: City Clerk
                      City of Bellflower
                      16600 Civic Center Drive
                      Bellflower, CA 90706

A valid protest must include:

1. The name of the customer-of-record; and
2. Identification of the property by either assessor's parcel number or street address; and
3. A statement of protest (*I/we protest* will suffice); and
4. The original signature of the protesting customer (photocopies will not be accepted).

Please note each customer-of-record for the same account will be counted as a single vote, regardless of the number of persons listed on the application for water service. Multiple protests by a single customer-of-record will not be allowed and the City Clerk will only accept one protest per customer-of-record.

QUESTIONS & MORE INFORMATION. If you have questions or want more information, please call the City of Bellflower Public Works Department at (562) 804-1424, extension 2285.
2009 Water Rate Increase: Questions & Answers

1. Q. How much is the proposed 2009 Rate Increase?
   A. The proposed increase would be 3.5% of the average customer’s total bi-monthly water bill for both the commodity and service charges. The actual dollar amount of increase would vary depending on a customer’s actual water use.

   The average customer’s bi-monthly water bill (based on the consumption of 3,027 cubic feet per bi-monthly billing period) will rise from $136.30 to $141.07, or $4.77 per billing period, or $28.62 per year, or just over 55 cents per week.

2. Q. How much was the 2008 Rate Increase?
   A. The 2008 increase was 4%, or per customer on average about $31.44 per year or $5.24 per billing period or less than 60 cents per week.

3. Q. Why do we need another rate increase?
   A. In the proposed 2009-2010 operating budget, estimated expenses exceed estimated revenues by $85,261.

4. Q. Why is there a budget shortfall?
   A. The budget shortfall is the result of a number of things:
      - A 25% increase in the cost of water purchased from the MWD (Metropolitan Water District of Southern California) through the Central Basin Municipal Water District.
      - A 1% increase in the Consumer Price Index (CPI), reflecting the increased cost of goods and services, including fuel, energy, insurance, materials (pipe, asphalt, etc.), and labor.
      - The cost of ongoing capital repairs.

5. Q. How much water do we buy from the MWD?
   A. About 34% of the MWS’s water is groundwater (i.e., water pumped from our own wells), and 66% is “imported” water, purchased from the MWD through the Central Basin Municipal Water District via Bellflower-Somerset Mutual Water Company and Park Water Company.

6. Q. Why are we replacing service connections?
   A. The service connection is the assembly of pipes and valves that connect the water main to the water meter. For customers experiencing low water pressure, a bad service connection is the principal cause. From January 2007 to date, the MWS has replaced 315 service connections at a cost of about $1,200 each, resulting in significantly increased water pressure to the effected customers and some reported improvements to discoloration, odor, taste, or dissolved oxygen problems. The proposed budget includes money to continue on-demand replacement of service connections.

7. Q. Why is the City replacing water meters?
   A. Many of the MWS’ water meters are old and unreliable. Many are located in back yards, some of which are gated and require prior arrangement with the customer to read the meter. From January 2007 to date, the MWS has replaced 68 water meters at a cost of about $300 each. The new meters are designed to be read electronically and without the need to enter the customer’s property. This will eventually save labor costs by reducing the time required for meter reading from 80 hours a month to about 24 hours per month.

8. Q. Will we have another rate increase next year? Will there be a rate increase every year?
   A. The short answer to both is probably “yes.” The cost of goods and services rise from year to year, and consequently the cost to provide water service to our customers also rise. However, the City is trying to find alternative methods to relieve the cost burden upon our customers such as grants, the sale of surplus real property, and capital projects that enhance operational efficiency and make the system less dependant upon imported water.

9. Q. What percent of the City is served by the MWS?
   A. The MWS serves about 10% of the City: 1,819 service connections serving about 7,500 people.
10. Q. Why can’t the City assume a share of the cost to operate the MWS?
   A. When the City agreed to buy what is now the MWS, it was with the understanding the City did not have the financial resources to pay for the operation of the MWS from the City’s general revenues, and the reduction of services to do so would be unfair to the 90% of the people of Bellflower not served by the MWS.

   Despite this commitment, the City has provided substantial support to the MWS:

   • As of June 30, 2009, the City has advanced more than $650,000 from its General Fund Reserve to cover the MWS’ cash deficit and to provide initial operating capital. The City has indefinitely foregone interest on $400,000 of the monies advanced.

   • As part of the High Capacity Well project, and absent any additional federal or State funds, the City is prepared to advance another $505,000 to complete the well.

   • Through June 2010 and without direct cost to MWS customers, the City will provide approximately $270,000 in staff support for the management and oversight of the MWS.

   • The City has obtained more than $1.2 million in federal grants for reconstruction of the MWS.

11. Q. What is the City doing to reduce operating costs?
   A. The City currently has three major capital projects underway that will help control or reduce MWS operating costs:

   • **Mapledale – Van Ruiten Interconnect** – in August 2009, the City began construction of a 2,500 foot pipeline connecting customers in System 9 (the area bounded by Foster Road, Regentview Avenue, Greenhurst Street, and the San Gabriel River) to Bellflower-Somerset Mutual Water Company’s 12-inch distribution line at McNab and Mapledale. The $331,000 project, which is being built using federal grant funds and proceeds from the 2008 Certificates of Participation, will allow the MWS to purchase water at a substantial savings. The project is due to be completed by November 1, 2009.

   • **System 1 Partial Reconstruction** - Using $319,000 in federal American Recovery and Reinvestment Act funds, the City is finalizing plans to replace the water system that serves up to 74 MWS customers in the low- and moderate-income census tract (Tract # 5543) which includes those portions of Oak and Belmont Streets between Pimenta and Hayter Avenues, as well as sections on Pimenta Avenue and Mayne Street. The project includes replacement of main lines, service laterals, hydrants and service connections, and the relocation and as needed replacement of water meters. The project is expected to begin in January 2010 and be completed by April 2010. By use of federal funds that do not require matching local funds, the project will be accomplished at no direct cost to the MWS customers. By replacing the above described portions of the water system infrastructure we will reduce operation, maintenance and repair costs.

   • **High Capacity Well #1** – in August 2009, the City began design of a High Capacity Well. We expect to begin drilling operations in February 2010, and have the well in service by July 2011. The High Capacity Well will allow the MWS to pump its own water rights which are sufficient to meet the service demand of all MWS customers. The resulting savings, along with potential revenue from the lease of surplus pumping rights, will provide local matching funds to be used with future federal grants to pay for capital improvements, reimburse the City’s general fund for monies previously advanced to the MWS without interest, and provide some buffer against future significant rate increases.

12. Q. Does the City make a profit from operating the MWS? Will it make a profit in the future?
   A. No, by law and as a matter of public policy the City is prohibited from making any profit from its operation of the MWS. Although no surplus is anticipated, any surplus revenue would be used solely to benefit the water system. The City is allowed however, to recover its "cut-of-pocket" costs related to its operation of the MWS.
13. Q. What “out-of-pocket” costs does the City recover?
   A. The MVWS’ proposed 2009-10 operating budget includes a City Administrative Cost Component of $161,500. This includes required engineering, legal, grant management, and independent audit services; insurance, and printing and postage for legally required public notices. It does not include about $100,000 in City staff time for management, financial oversight, inspection, and other engineering services.

14. Q. Why did the City buy what is now the MWS, formerly the Peerless Water Company?
   A. The short answer is, because Peerless customers asked the City to do so.

In 2000, the owners of Peerless Water Company sought approval from the California Public Utilities Commission (CPUC) for the merger of their company with Southern California Water Company, a subsidiary of American States Water Company. The public notice of the merger disclosed that Peerless’ owners would be paid $4 million (in addition to other unspecified benefits - salary and stock - from their continued participation in the merged company), that water rates would immediately increase by 18%, and that unspecified further increases would be required to recover the purchase price and pay for $11 million in needed improvements. In response, a number of Peerless’ customers urgently requested that the City act to block the sale. In response, in November 2000 the City made a strong case to the California Public Utilities Commission that the proposed merger was not in the public interest. These efforts were successful and the Public Utilities Commission stopped the merger.

Subsequently, Peerless’ owners entered into discussions with other local water providers for the sale of the company. Due to the high price demanded by Peerless, the condition of the system infrastructure, and the local water provider’s ineligibility for federal grants, these discussions were fruitless.

In the aftermath of these failed discussions, and recognizing that Peerless’ owners ultimately had the right to sell their company on the open market if there were no local buyers, the City opened negotiations for the purchase of Peerless’ assets. Again, due to the high price demanded, these negotiations were unsuccessful.

In 2004, the City commenced an eminent domain condemnation of Peerless. As a result of this threatened condemnation, Peerless’ owners reopened negotiations with the City resulting in a January 2006 tentative agreement for the sale of Peerless’ assets to the City.

On January 12, 2007, the City of Bellflower took possession of the assets of Peerless in exchange for the sum of $5.8 million. These assets included 986 acre feet of water rights, four operating wells, several parcels of real property, a number of utility easements, water mains, pumps and meters, and 1,818 customers.

15. Q. How is the City financing the water system?
   A. In June 2008, the City issued approximately $8 million worth of Certificates of Participation. Certificates of Participation are a form of indebtedness similar to bonds, but funded from lease revenue instead of a general obligation. The proposed term of the certificates is 32 years. The certificates will be repaid using water system revenue, and the City will pledge City Hall and certain water system assets as collateral. The proceeds from the sale will fund debt service reserve, General Fund reimbursement for water system acquisition, and limited capital projects, some of which have been started using cash advanced from the City’s General Fund. Information concerning the sale of these securities will be made available to interested local investors.

16. Q. What can I do to stop the rate increase?
   A. Customers and other residents wishing to make known their opinion about the proposed rate increase can do so by writing or contacting members of the City Council, speaking during the public comment portion of any regular City Council meeting where the rate increase is not on the agenda, and speaking at the November 9th public hearing. Customers may also make a formal protest of the rate increase.

17. Q. When and where does the City Council meet?
   A. The City Council normally meets on the 2nd and 4th Monday of each month. Those meetings are scheduled to begin at 7:00 p.m. The Council meets in the Council Chambers at Bellflower City Hall, 16600 Civic Center Drive.
18. Q. What is a "protest"?
   A. Customers-of-Record, as defined by law have a right to formally protest any proposed rate increase. If 50% plus 1 of the MWS' customers make a valid protest, then the City Council would be prohibited by law from adopting the proposed increase. The MWS presently has 1,819 customers. A successful protest would require valid protests from 910 of the customers.

19. Q. Is a petition the same as a protest?
   A. No. A protest is the direct process the law specifically establishes for a majority of rate payers to stop any proposed rate increase. While anyone has the right to circulate and present a petition to the City Council opposing a proposed water rate increase, that petition would only be advisory and would not legally bind the City Council. While the Council would certainly consider any such petition, that petition would not have the same direct effect on the proposed rate increase as a majority protest.

20. Q. How do I make a protest?
   A. The requirements for making a protest are detailed in the public notice sent to each customer. Due to the specific legal requirements involved, it would be inappropriate to summarize or expand upon the language contained in that public notice. Copies of the public notice are available at the City’s website, www.bellflower.org/water or by calling the Municipal Water System Office at (562) 531-1500.

21. Q. What happens if the protest is successful?
   A. If the protest is successful the City would be unable to adopt the proposed increase.
      a. In the short term, the City would be faced with several choices:
         • Do nothing – not really an option, as the City is prohibited from operating with a budget deficit.
         • Propose another rate increase, at the same or a higher or lower amount. This would require a new public notice and would be subject to another protest.
         • Despite promises to the contrary, use money from the City’s general fund to cover the MWS budget deficit.
         • Sell a portion of the MWS' water rights, either on the open market or to the City. While this would provide some short term financial gain, in the long term the MWS customers would have to pay market rate prices to buy back water it now owns.
         • Defer or limit needed capital repairs (i.e., service line and meter replacements). In the case of service line repairs, customers needing such replacements would have to be placed on a waiting list.
         • Seek voter approval to sell the water system on the open market – not really an option now that we have issued $8 million in Certificates of Participation (i.e., "bonds").
      b. In the long term, the decision not to increase the water rates would create a "structural deficit" in the MWS' budget similar to that existing in the State budget (i.e., expenses would exceed revenue). This means that the next fiscal year’s budget would have a built-in 6% short fall before any new expenditures were considered. If the failure to adopt a rate increase were to continue, then the shortfall would grow, ultimately becoming either a drain on the City's other limited resources, or requiring long term deferral of much need capital repairs, and potentially foregoing Federal grants due to our inability to provide any required matching funds.

22. Q. Is there any aid to help financially strapped customers?
   A. Yes. The City Council established a Low-Income Assistance Program for Water Rate Increases and a Low- and Moderate-Income Assistance Program for Water Service Line Repairs. Information about these programs is available online at www.bellflower.org/water or by calling the Municipal Water System Office at (562) 531-1500.