

September 5, 2024

Lake County Board of Supervisors
C/O Lake County Clerk
255 North Main Street
Lakeport, CA 95453

Dear Supervisors,

The Spring Valley community received a notification from Lake County Special Districts indicating a proposed water rate increase for Spring Valley. This will come before the Board on September 10th. We have multiple concerns about the proposed increases. The increases are extreme. Please refer to the attached chart and other documents for more information about our concerns. The chart indicates that the average user would see an increase of 251% over 5 years. The base rate is proposed to be reduced from 1200 cubic feet to 400 cubic feet. In addition, the tiered rates are an added expense. The proposed increases impact the average users disproportionately.

The process has seemed biased towards a quick approval of the proposed rates. Prop 218 requires 51% of the vote to be a protest or a "no", in order for this to not be enacted. A lack of response is counted as a "yes" vote. While this meets the requirement of the law, we have some questions about certain procedures. We have examples of mailings of the required time-sensitive notices being sent to the physical address of vacant parcels, instead of the billing/owner's address. Some of those were sent to the correct address several weeks later. We are also aware of a notice for a vacant lot never being received. We wonder how many people with vacant lots never received the notice, which would greatly affect the outcome.

Spring Valley has a large Hispanic population. This letter was not sent out to these parcel owners or rate payers in Spanish. The notice's *last sentence* indicated that if you needed the notice in Spanish, you could request it from Special Districts. How many mono-lingual Spanish-speaking people would ever even get to the end of the letter?

There appear to be some misleading numbers in the proposed rate study. A water rate table in the study indicates increase percentages from year to year. Those are 30% or less. However, the cumulative percentage increases after 5 years are over 250% for the average consumer. In addition, the proposal indicates that the first 4 ccf are included in the new base rate. While that is true, we are being charged more for those first 4 ccf, as the base rate was increased by \$3.23 for each of the first 4 ccf. While it is technically included in the base rate, we would still be paying more for each of those first 4 ccf.

We have not seen evidence of the extreme deficit that is claimed by Special Districts. The budget seems to indicate a surplus in some years, but that does not seem to be reflected in the next year's budget. Special Districts reports that these surpluses can go into several different Reserve accounts. Those are Capacity Expansion, Capital Improvement, Water System Replacement (O&M for water), and Road/Bridges/Dams. We would like clarity about where those funds go and what they are used for.

Our community has also witnessed a great deal of issues regarding construction with PGE's new underground system. Water lines have been broken by these contractors, leading to significant water loss and repairs. Who pays for these expenses? In addition, you will hear multiple examples of apparent waste of resources by Special Districts in the community comments on September 10th.

In comparison, Kelseyville has approximately 1000 customers. Spring Valley has approximately 410 customers. Kelseyville customers currently are allowed to use up to 15 ccf for \$16.50, with a base rate of \$37.95. Under the new proposal, they are proposing a base rate of \$53.52 with 0-18 ccf costing \$25.38. Spring Valley's current base rate is \$50.00 for 12 ccf. The proposal for Spring Valley is a base rate of \$77.30 for 0-4 ccf, with rate increases starting at 5 ccf. This is just the proposal for the 24-25 year. Kelseyville's rate increase over the 5 years is **no comparison** to what they are proposing for Spring Valley. Why such a difference in usage and cost?

In the process of responding to the proposals, we have been discouraged from informing the community about these proposed rate hikes and facilitating stakeholders' compliance with the required forms of protest. We have been told by Special Districts that we cannot submit these in bulk, even though they meet the criteria outlined. According to the report and Prop 218, property owners and ratepayers have a vote. We were told by Special Districts that ratepayers (renters) do not have a vote.

If there is proof of need, we realize that a rate increase is indicated. However, the proposed rates hikes are extreme, and not affordable for many homeowners and ratepayers.

Please take this information into consideration. If we do not reach the required 51% protest votes. we hope that you may either deny this proposal and encourage Special Districts to present a more reasonable increase, or take more time to research and address our multiple concerns. Thank you for your service and time.

Respectfully submitted,

Sterling Wellman

17710 17716 17759 17706



COUNTY OF LAKE
SPECIAL DISTRICTS ADMINISTRATION
230 N. Main Street
Lakeport, California 95453
Telephone 707-263-0119
Fax 707-263-3836

RECEIVED
LAKESIDE TR - CA 95423-9650
SEP 10 2024
22312107/29/24
RETURN TO SENDER

NOTICE OF PUBLIC HEARING R

WATER RATE INCREASES

Public Hearing Date: September 10 2024
Public Hearing Time: 10 45 a m
Public Hearing Location: Lake County Board of Supervisors Chambers
255 North Forbes Street
Lakeport, CA 95453

WHY ARE YOU RECEIVING THIS NOTICE?

You are receiving this notice because you own property receiving services of CSA #2 Spring Valley Water. Pursuant to Article XIII (D) of the California Constitution, the CSA #2 Spring Valley Water is proposing to increase current water rates. This notice provides you with information regarding the services provided by the District, the reason for the proposed changes in the water rates, and the methods by which you can protest the rate increase if you so desire.

The CSA #2 Spring Valley Water provides water service to about 400 residential connections. The District is dedicated to keeping rates as low as possible but the costs involved in maintaining the utility system and in implementing necessary improvements have risen. The proposed rate structure 1) will recover costs prudently borne in providing essential services; 2) is equitable and proportionate to all customer classes; and 3) is practical and easy to implement and understand.

COMPLIANCE WITH PROPOSITION 218

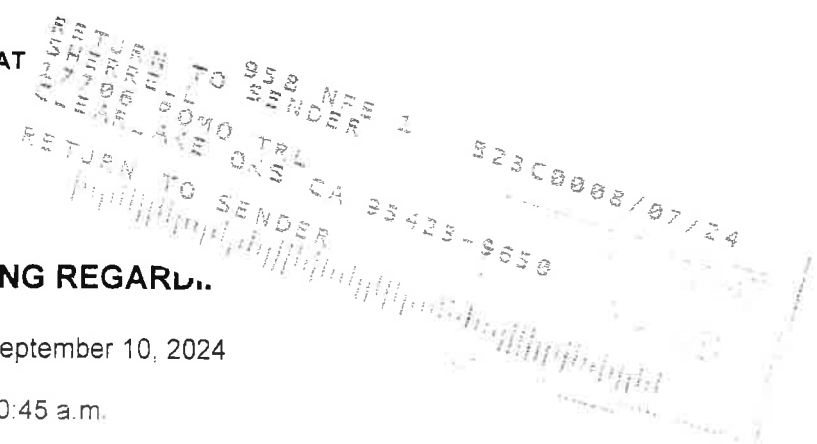
In 1996, California voters approved Proposition 218, which amended the state constitution as it relates to the passage of property-related fees. Proposition 218 requires that local governments follow a strictly defined process for setting fees such as water bills. Generally speaking, in order to increase water charges and fees, the District must 1) inform ratepayers that a proposed rate increase is being considered 2) clearly demonstrate the basis on which these fees are calculated and 3) hold a public hearing at least 45 days after noticing property owners, at which time the District hears all protests to the rate increases. These rates are subject to "majority protest," meaning they cannot be passed if a majority of property owners submit written, signed, and timely protests opposing the increases as is more particularly described herein.

California Environmental Quality Act (CEQA)

This Ordinance is exempt from the California Environmental Quality Act (CEQA), Public Resources Code Section 21000 et seq., because it can be seen with certainty that there is no possibility that the enactment of this Ordinance would have a significant effect on the environment (Pub. Resources Code Section 21065; CEQA Guidelines Sections 15378(b)(4), 15061(b)(3)) and because the Ordinance involves the approval of government revenues to fund existing services (Pub. Resources Code Section 21080(b)(8); CEQA Guidelines Section 15273(a)(4).



COUNTY OF LAKE
SPECIAL DISTRICTS ADMINISTRATOR
 230 N. Main Street
 Lakeport, California 95453
 Telephone 707-263-0119
 Fax 707-263-3836



NOTICE OF PUBLIC HEARING REGARDING

Public Hearing Date: September 10, 2024
 Public Hearing Time: 10:45 a.m.
 Public Hearing Location: Lake County Board of Supervisors Chambers
 255 North Forbes Street
 Lakeport, CA 95453

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Exhibit #1

ACTION

Before taking final action on the proposed ordinance to increase water rates as described in this notice, the Board will hold the Public Hearing on September 10, 2024 at 10:45 am to consider the amount of the proposed rate changes for the next five years and well as the methodology used to calculate the rates. This hearing will be for final public testimony, hearing protests, and taking final action on the proposed rate increases. At the conclusion of the hearing, protests will be counted and validated. The Board of Supervisors may modify the proposed rates, but may not take action to increase the amounts proposed herein without further notice and public hearing(s). The Board may continue the hearing from time to time without further written notice.

HOW DO I FILE A PROTEST OR PARTICIPATE IN THE PUBLIC HEARING?

The provisions of Proposition 218 provide that certain types of "Property Related Fees" such as water rates are subject to a "majority protest" process. Under the majority protest process, any property owner of record may submit a written protest for the proposed increases; provided, however, that only one protest will be counted per identified parcel. If protests are filed on behalf of a majority of the parcels subject to the rates, the District cannot adopt the proposed rates. If a majority of the parcels do not protest the proposed increase before the end of the Public Hearing, the Board has the authority to adopt the water rates. The first rate change, if enacted, will go into effect on or after November 15, 2024.

Every written protest MUST include ALL of the following to be counted:

- 1. A statement against the proposed water rates;**
- 2. Name of the recorded owner who is submitting the protest;**
- 3. Identification of assessor's parcel number or street address of the parcel with respect to which the protest is made; and an**
- 4. Original signature and legibly printed name of the record owner who is submitting the protest.**

Written protests may be submitted by:

1. Mail to the Clerk of the Board of Supervisors, 255 North Forbes St, Lakeport, CA 95453; or
2. In-person delivery during normal business hours to the same address; or
3. In-person at the Public Hearing, prior to the conclusion of the Public Hearing.

Regardless of how the written protest is submitted, it must be received by the Clerk prior to the conclusion of the public comment portion of the Public Hearing on September 10, 2024. (Postmark dates will not be accepted.) Any protest submitted via e-mail or other electronic means will not be accepted. Please identify on the front of the envelope for any written protest, whether mailed or submitted in person to the Clerk, that the enclosed protest is for the Public Hearing on Spring Valley Water Rate Increases. Oral comments at the Public Hearing will not qualify as formal protests unless accompanied by a written protest. Only submit written documentation if you are PROTESTING the rates. Additionally, pursuant to California Government Code 53759, there is a 120-day statute of limitations for challenging any new, increased, or extended fee, adopted, modified, or amended after January 1, 2022.

For additional information about the proposed water rate increase contact Robin Borre, Administrator at the Special Districts office located at 230 North Main St. Lakeport, CA 95453, or call (707) 263-0119. Documents relevant to the proposed rate increase may be reviewed at the office in Lakeport during regular business hours, 8:00 a.m. to 5:00 p.m., Monday through Friday, excluding holidays.

Para obtener información en español sobre los aumentos de tarifas propuestos, llame a nuestra oficina.

-Jesus Salmeron

-----Original Message-----

From: Sterling Wellman <sterlingmitch52@gmail.com>
Sent: Wednesday, August 14, 2024 10:45 AM
To: Jesus Salmeron <Jesus.Salmeron@lakecountycalifornia.gov>
Subject: [EXTERNAL] Question for spring valley

Good morning this is the list of questions I have for you.
Hope to get them in a timely matter

- 1: what accounts do you roll over profits to for financial years 18/19 to 22/23
- 2: how many renters have the water bill in their name in Spring Valley?
- 3: breakdown on chemical cost
- 4: what was spent on roads for financial years 18/19 to 22/23
- 5: what does the administrator of special districts make in a year? Year 23/24 These are the questions I have Hope to hear from you soon Thank you Sterling

Sent from my iPhone

<Road Invoices.pdf>

Fwd: [EXTERNAL] Question for spring valley

From: Sterling Wellman (sterlingmitch52@gmail.com)

To: viva4now4@yahoo.com

Date: Monday, September 2, 2024 at 05:07 PM PDT

Sent from my iPhone

Begin forwarded message:

From: Jesus Salmeron <Jesus.Salmeron@lakecountyca.gov>
Date: August 30, 2024 at 2:39:16 PM PDT
To: Sterling Wellman <sterlingmitch52@gmail.com>
Subject: RE: [EXTERNAL] Question for spring valley

Hi Sterling,

Please see our responses below.

1. A surplus can be put into Reserves. Spring Valley has 4 Reserves. Capacity Expansion, Capital Improvement, Water System Replacement (O&M for water), and Road/Bridges/Dams. All reserves stay in fund 262 which is Spring Valleys fund. They do not go to anything besides Spring Valley.

2. 24

3. The plant uses sodium hypochlorite. The current unit price is \$20.4 for a 4/1 Gallon Case. There also taxes and fees associated with the purchase of chlorine. The amount spend on chlorine is broken down below:

23/24	\$15,123.58
22/23	\$6,916.57
21/22	\$946.01
20/21	\$6,303.15
19/20	\$3,484.35
18/19	\$3,915.00

4. See attachment.

5. \$131,328.00 - \$159,624.00 Annually

Detail of Financing Sources and Financing Uses
 Governmental Funds
 Fiscal Year 2020-21

County Budget Act
 January 2010 Edition, revision #1

Fund 262 Function Special Districts-BOS	Budget Unit 8462 - CSA #2 Spring Valley Activity County Service Area	
Detail by Revenue Category and Expenditure Object	2018-19 Actual	2019-20 Actual
1	2	3

TAXES

10-10 Current Secured	119,598	127,661
10-20 Current Unsecured	2,575	2,335
10-25 Supp 813-Current	1,839	5,046
10-35 Supp 813-Prior	255	372
10-40 Prior Unsecured	66	97

FINES, FORFEIT, PENALTIES

31-95 Penalties & Cost on Delq	80	25
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USE OF MONEY & PROPERTY

42-01 Interest	13,479	14,398
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INTERGOVERNMENT REVENUES

54-40 Disaster Relief	0	0
54-60 HOPTR	1,304	1,245
54-70 Disaster Rev Loss Backfil	94	358
54-90 Other	78,312	0
55-40 Disaster Relief	0	0
56-01 Other	42,824	60,639

CHARGES FOR SERVICES

66-50 Auditing & Accounting	8,535	7,908
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OTHER REVENUES

71-21 Sales & Svcs Misc	200,872	208,280
71-23 Connection Fee	0	500
71-25 Water Collection-Tax Roll	2,930	1,694
71-26 Reconnections	5,352	3,676
71-51 Special Assmt-Cap Imp	39,469	39,908

MISCELLANEOUS

79-50 Revenue Applic Prior Year	0	6,257
79-91 Cancelled Checks	0	0
79-93 Insurance Proceeds	1,459	0
Revenue - Total	519,042	501,072

SERVICES AND SUPPLIES

12-00 Communications	1,048	1,077
17-00 Maintenance-Equipment	13,022	21,128
18-00 Maint-Bldgs & Imprvmts	33,307	87,041
23-77 Labor-In House	86,000	88,000
23-80 Professional & Specialize	19,955	48,162
23-89 Spec Dist Admin's Svcs	79,646	73,175
23-90 Administrative Services	5,080	4,340
28-30 Supplies & Services	18,478	16,837
30-00 Utilities	46,525	43,541
38-00 Inventory Items	0	0
48-00 Taxes & Assessments	49	49

CAPITALIZED ASSETS

62-74 Other	0	0
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CONSTRUCTION IN PROGRESS

Detail of Financing Sources and Financing Uses
 Governmental Funds
 Fiscal Year 2020-21

County Budget Act
 January 2010 Edition, revision #1

Fund 262 Function Special Districts-BOS	Budget Unit 8462 - CSA #2 Spring Valley Activity County Service Area
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Detail by Revenue Category and Expenditure Object	2018-19 Actual	2019-20 Actual
1	2	3

63-02 Bridges	76,778	88,764
63-04 Water Systems	0	0

Expenditures/Appropriations - Total	379,889	472,134
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Net Cost:	(139,153)	→	(28,938)	=	168,091
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Detail of Financing Sources and Financing Uses
Governmental Funds
Fiscal Year 2023-24

County Budget Act
January 2010 Edition, revision #1

Fund 262 Function Special Districts-BOS	Budget Unit 8462 - CSA #2 Spring Valley Activity County Service Area
Detail by Revenue Category and Expenditure Object	2021-22 Actual
1	2
	2022-23 Actual
	3

TAXES

10-10	Current Secured	136,659	151,000
10-20	Current Unsecured	2,803	3,220
10-25	Supp 813-Current	2,066	2,636
10-30	Prior Secured	649	0
10-35	Supp 813-Prior	609	649
10-40	Prior Unsecured	110	190

FINES, FORFEIT, PENALTIES

31-95	Penalties & Cost on Delq	8,566	1,833
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USE OF MONEY & PROPERTY

42-01	Interest	1,289	6,568
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INTERGOVERNMENT REVENUES

54-40	Disaster Relief	0	443
54-60	HOPTR	1,211	1,208
54-90	Other	12,124	803,908
55-40	Disaster Relief	0	0
56-01	Other	206,888	131,459

CHARGES FOR SERVICES

66-50	Auditing & Accounting	13,709	10,003
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OTHER REVENUES

71-21	Sales & Svcs Misc	220,804	186,691
71-25	Water Collection-Tax Roll	20,363	11,566
71-26	Reconnections	2,290	6,663
71-51	Special Assmt-Cap Imp	39,623	37,668

MISCELLANEOUS

79-50	Revenue Applic Prior Year	322	301
79-90	Miscellaneous	0	2
79-91	Cancelled Checks	0	5

Revenue - Total

670,084 **1,356,011**

SERVICES AND SUPPLIES

12-00	Communications	1,108	1,484
17-00	Maintenance-Equipment	9,097	18,610
18-00	Maint-Bldgs & Imprvmts	33,760	88,262
23-77	Labor-In House	99,030	112,278
23-80	Professional & Specialize	23,173	28,934
23-89	Spec Dist Admin's Svcs	89,996	102,957
23-90	Administrative Services	8,576	9,697
27-00	Small Tools & Instruments	0	0
28-30	Supplies & Services	8,929	20,201
30-00	Utilities	56,037	68,660
38-00	Inventory Items	0	0
48-00	Taxes & Assessments	49	49

CAPITALIZED ASSETS

62-74	Other	0	0
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CONSTRUCTION IN PROGRESS

Detail of Financing Sources and Financing Uses
 Governmental Funds
 Fiscal Year 2023-24

County Budget Act
 January 2010 Edition, revision #1

Fund 262 Function Special Districts-BOS	Budget Unit 8462 - CSA #2 Spring Valley Activity County Service Area
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Detail by Revenue Category and Expenditure Object	2021-22 Actual	2022-23 Actual
1	2	3

63-02 Bridges	323,200	392,205
63-04 Water Systems	7,966	403,546

-? on water

OTHER FINANCING USES

80-80 Interfund Reimbursements	0	(7,847)
Expenditures/Appropriations - Total	660,920	1,239,037

Net Cost: (9,164) + (116,974) = 120,738

Detail of Financing Sources and Financing Uses
Governmental Funds
Fiscal Year 2021-22

County Budget Act
January 2010 Edition, revision #1

Fund 262 Function Special Districts-BOS	Budget Unit 8462 - CSA #2 Spring Valley Activity County Service Area
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Detail by Revenue Category and Expenditure Object	2019-20 Actual	2020-21 Actual
1	2	3

TAXES

10-10 Current Secured	127,661	127,146
10-20 Current Unsecured	2,305	2,705
10-25 Supp 813-Current	5,046	1,846
10-35 Supp 813-Prior	372	528
10-40 Prior Unsecured	97	540

FINES, FORFEIT. PENALTIES

31-95 Penalties & Cost on Delq	28	1,161
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USE OF MONEY & PROPERTY

42-01 Interest	14,396	3,814
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INTERGOVERNMENT REVENUES

54-60 HOPTR	1,245	1,175
54-70 Disaster Rev Loss Backfil	358	10,020
54-90 Other	0	1,634
56-01 Other	80,639	100,273

CHARGES FOR SERVICES

66-50 Auditing & Accounting	7,908	9,529
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OTHER REVENUES

71-21 Sales & Svcs Misc	208,280	231,765
71-22 Capacity Expansion Fee	0	23,512
71-23 Connection Fee	900	2,205
71-25 Water Collection-Tax Roll	1,694	3,799
71-26 Reconnections	3,978	850
71-51 Special Assmt-Cap Imp	39,906	39,444

MISCELLANEOUS

79-50 Revenue Applic Prior Year	6,257	0
79-90 Miscellaneous	0	28
79-91 Cancelled Checks	0	27

Revenue - Total

501,072	562,000
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SERVICES AND SUPPLIES

12-00 Communications	1,077	1,136
17-00 Maintenance-Equipment	21,128	6,794
18-00 Maint-Bldgs & Imprvmts	87,041	46,064
23-77 Labor-In House	88,001	122,085
23-80 Professional & Specialize	48,182	25,498
23-89 Spec Dist Admin's Svcs	73,175	95,062
23-90 Administrative Services	4,340	8,464
28-30 Supplies & Services	16,837	15,204
30-00 Utilities	43,541	58,535
38-00 Inventory Items	0	3,704
48-00 Taxes & Assessments	49	49

CAPITALIZED ASSETS

62-74 Other	0	0
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CONSTRUCTION IN PROGRESS

63-02 Bridges	88,764	157,053
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SECTION 1: INTRODUCTION AND EXECUTIVE SUMMARY

1.1 Background

The Lake County Service Area Number 2 (CSA#2 or District) was established in 1982 to provide water service and road maintenance to a population of 1,200 residents in the Spring Valley Lakes subdivision. This study focuses only on the cost of service for water service. With approximately 320 connections, the regulatory jurisdiction was transferred to the State Department of Health Services (now the Division of Drinking Water). Since then, the treatment plant has been upgraded and portions of the distribution system have been replaced. The original water system was constructed for a much smaller community than presently exists, with inadequate materials and design, during a time well before District staff had any role or oversight of the system. Maintenance continues to be a challenge. The water treatment and distribution systems are currently operating as efficiently as possible and providing water to customers in compliance with all applicable water quality standards.

Treatment plant improvements were completed in 2014 with grant funding. Projects included the replacement of clear well number 2, the installation of continuous flow meters in each of the four sand filter units, the installation of a backup generator, variable frequency drive at the raw water pump station, connection piping, and ancillary facilities to support these improvements.

#

The CSA#2 last increased rates in 2011 and bills on a bimonthly (every two months) basis. The water rate structure consists of a base meter charge which includes the first 12 hundred cubic feet (ccf) of bimonthly water use. One ccf is equal to 748 gallons of water. The charges for water usage are based on a tiered rate structure where the price per unit of water is higher as more water is used. In addition to the water rates, customers pay a separate Capital Improvement Program (CIP) charge to pay for infrastructure improvements. The CIP charge is not evaluated in this study and will not increase over the study term.

In recent years, the CSA#2 spent down its existing reserves and is not collecting sufficient revenue to fund annual operating expenses. The primary goal of this study is to determine a rate plan to cover the CSA#2's cost of service for the next five years. The cost of service includes operations, maintenance, capital improvements, and accumulation of reserves. An additional objective of this rate study is to adjust the current tiered water rates to recover costs more fairly from customers. The proposed rate structure consolidates the consumption rates into two tiers that reflect up to date usage patterns and actual costs to provide water at higher levels of use.

1.2 Requirements of Proposition 218

The implementation of public agency utility rates in California is governed by the substantive and procedural requirements of Proposition 218 the "Right to Vote on Taxes Act" which is codified as Articles XIII C and XIII D of the California Constitution. The District must follow the procedural requirements of Proposition 218 for all utility rate increases. These requirements include:

1. **Noticing Requirement** – The District must mail a notice of the proposed rate increases to all affected property owners or ratepayers. The notice must specify the amount of the fees, the basis upon which they were calculated, the reason for the fees, and the date/time/location of a public rate hearing at which the proposed rates will be considered/adopted.
2. **Public Hearing** – The District must hold a public hearing prior to adopting the proposed rate increases. The public hearing must be held not less than 45 days after the required notices are mailed.
3. **Rate Increases Subject to Majority Protest** – At the public hearing, the proposed rate increases are subject to majority protest. If more than 50% of affected property owners or ratepayers submit written protests against the proposed rate increases, the increases cannot be adopted.

Proposition 218 also established substantive requirements that apply to water rates and charges, including:

1. **Cost of Service** – Revenues derived from the fee or charge cannot exceed the funds required to provide the service. In essence, fees cannot exceed the “cost of service”.
2. **Intended Purpose** – Revenues derived from the fee or charge can only be used for the purpose for which the fee was imposed.
3. **Proportional Cost Recovery** – The amount of the fee or charge levied on any customer shall not exceed the proportional cost of service attributable to that customer.
4. **Availability of Service** – No fee or charge may be imposed for a service unless that service is used by, or immediately available to, the owner of the property.
5. **General Government Services** – No fee or charge may be imposed for general governmental services where the service is available to the public at large.

Charges for water service are exempt from additional voting requirements of Proposition 218, provided the charges do not exceed the cost of providing service and are adopted pursuant to the procedural requirements of Proposition 218.

Table 6: Water Operating Costs

	Budget 2023/24	Escalation Factor	PROJECTED				
			2024/25	2025/26	2026/27	2027/28	2028/29
Admin & Overhead	\$75,000	3.0%	\$77,000	\$79,000	\$81,000	\$83,000	\$85,000
Staffing	\$131,000	3.0%	\$135,000	\$139,000	\$143,000	\$147,000	\$151,000
Professional Services	\$20,000	3.0%	\$21,000	\$22,000	\$23,000	\$24,000	\$25,000
Maintenance	\$68,000	3.0%	\$70,000	\$72,000	\$74,000	\$76,000	\$78,000
Chemicals	\$20,000	3.0%	\$21,000	\$22,000	\$23,000	\$24,000	\$25,000
Utilities	\$64,000	3.0%	\$66,000	\$68,000	\$70,000	\$72,000	\$74,000
Total Operating Expenses	\$378,000		\$390,000	\$402,000	\$414,000	\$426,000	\$438,000

3.3.2 Capital Improvement Plan

As detailed on Table 7, water capital improvement projects total \$2 million. The majority of projects will be grant funded. Water rates will fund a portion of the Water Treatment Plant Generator 250KW. The District’s share of the project is \$22,212 with the remainder paid for with grant funding.

Table 7: Water Capital Improvement Plan

Project	Amount Requested	Funding Source	Grant Funded	Rate Funded
Spring Valley Distribution System Study	\$500,000	SWRCB 453.54-90 (100%)	\$500,000	\$0
Lakebed Recovery Project	\$469,480	IRWM 453.54-90 (100%)	\$469,480	\$0
Quail Trail Water Line Replacement	\$108,205	IRWM 453.54-90 (100%)	\$108,205	\$0
Water Treatment Plant Generator 250KW	\$88,845	HMGP 455.55-40 (75%); Rate Funded (25%)	\$66,633	\$22,212
New Well	\$880,500	DWR 453.54-90 (100%)	\$880,500	\$0
Meter Replacement	\$0	Rate Funded (100%)	\$0	\$0
Total	\$2,047,030		\$2,024,818	\$22,212
% of Total	100.0%		98.9%	1.1%

Source: Form #6 - Capital Asset Detail, October 26, 2023

Table 3: Historical Water Rate Revenues

Rate Code	Bimonthly Rate	FY2021		FY2022		FY2023	
		Units	Annual Revenue	Units	Annual Revenue	Units	Annual Revenue
BA Residential	\$50.00	No. of Customers		No. of Customers		No. of Customers	
		427	\$128,100	416	\$124,800	409	\$122,700
		<u>1</u>	<u>\$600</u>	<u>1</u>	<u>\$600</u>	<u>1</u>	<u>\$600</u>
		51.6%	0.2%	53.7%	0.3%	63.1%	0.3%
BO Outside District	\$100.00	428	\$128,700	417	\$125,400	410	\$123,300
		51.8%		54.0%		63.4%	
Volume Rates		Usage (ccf)		Usage (ccf)		Usage (ccf)	
Included (0 to 12 ccf)	\$0.00	21,417	\$0	20,223	\$0	18,716	\$0
Tier 1 (12 to 20 ccf)	\$2.75	7,752	\$21,318	6,833	\$18,791	5,391	\$14,825
Tier 2 (20 to 40 ccf)	\$5.50	8,594	\$47,267	7,422	\$40,821	5,025	\$27,638
Tier 3 (40+)	\$8.00	<u>6,398</u>	<u>\$51,184</u>	<u>5,918</u>	<u>\$47,344</u>	<u>3,603</u>	<u>\$28,824</u>
Total Volume Rates		44,161	\$119,769	40,396	\$106,956	32,735	\$71,287
Total Water Rate Revenue			\$248,469		\$232,356		\$194,587
			100.0%		100.0%		100.0%

Table 1: Proposed Bimonthly Water Rates

	CURRENT	Effective Date	PROPOSED				
			FY24-25	FY25-26	FY26-27	FY27-28	FY28-29
FIXED METER CHARGE <u>Meter Sizes</u> 5/8", 3/4", 1" (Includes 12 ccf) Capital Improvement Fee	\$50.00	Nov 15, 2024	\$77.30	\$91.12	\$104.95	\$120.81	\$139.03
FIXED METER CHARGE <u>Meter Sizes</u> 5/8", 3/4", 1" (Includes 4 ccf) Capital Improvement Fee	\$14.40		\$14.40	\$14.40	\$14.40	\$14.40	\$14.40
VOLUME RATES (per ccf) <u>All Customers</u> Included 0-12 ccf Tier 1: 12-20 ccf Tier 2: 20-40 ccf Tier 3: 40+ ccf	\$2.75 \$5.50 \$8.00		\$3.23 \$4.12	\$3.81 \$4.86	\$4.39 \$5.60	\$5.05 \$6.44	\$5.81 \$7.41

* One hundred cubic feet (ccf) = 748 gallons
 FY – fiscal year

2.3 Typical Utility Bills

Table 4 provides example bimonthly utility bills that also include the CIP charge. Over the six annual bimonthly billing periods, the average customer uses 13 ccf of which 12 ccf is fully included in the base fee of \$50. The total bimonthly average bill is \$67.15. The typical winter usage is 9 ccf which results in a bill of \$64.40. Typical summer usage is 21 ccf gallons and results in a bill of \$91.90.

Table 4: Typical Bills Under Current Rates

AVERAGE BIMONTHLY BILL – 13 CCF				
Category	Bimonthly Rate	Count	Units	Total Bimonthly Charges
Fixed Charge (BA)	\$50.00	1	per account	\$50.00
Water CIP	\$14.40	1	per account	\$14.40
Volume Rates				
Included (0 to 12 ccf)	\$0.00	12	ccf	\$0.00
Tier 1 (12 to 20 ccf)	\$2.75	1	ccf	\$2.75
Tier 2 (20 to 40 ccf)	\$5.50	0	ccf	\$0.00
Tier 3 (40+)	\$8.00	0	ccf	\$0.00
Total Bill		13		\$67.15

TYPICAL WINTER BIMONTHLY BILL – 9 CCF				
Category	Bimonthly Rate	Count	Units	Total Bimonthly Charges
Fixed Charge (BA)	\$50.00	1	per account	\$50.00
Water CIP	\$14.40	1	per account	\$14.40
Volume Rates				
Included (0 to 12 ccf)	\$0.00	9	ccf	\$0.00
Tier 1 (12 to 20 ccf)	\$2.75	0	ccf	\$0.00
Tier 2 (20 to 40 ccf)	\$5.50	0	ccf	\$0.00
Tier 3 (40+)	\$8.00	0	ccf	\$0.00
Total Bill		9		\$64.40

2.5 Current Average Bill

The typical customer of the Kelseyville County Waterworks District No. 3 is a single family residential customer that uses an average of 18 ccf per billing period. Based on these parameters, a sample bill is provided in Table 9. This customer uses most of their water in Tier 1 and pays \$74.21 for water service. Single family residential customers also pay \$78.48 per billing period for sewer service. The average customer's total bill is \$152.69 based on rates effective January 1, 2024.

Table 9: Current Average Bimonthly Bill

<u>Water Charges</u>		Total Fees
Base Fee		\$37.95
Volume Rates		
Tier 1: 0 - 15 ccf	15 ccf	\$16.50
Tier 2: Over 15 ccf	3 ccf	\$4.44
Water Loan Fee		<u>\$15.32</u>
Subtotal Water		\$74.21
 <u>Sewer Charges</u>		
Domestic Strength Fee		\$44.04
Sewer Loan Fee		\$14.00
Sewer Capital Improvement Fee		<u>\$20.44</u>
Subtotal Sewer		\$78.48
 Total Bimonthly Bill		 \$152.69

Spring Valley Proposed Water Rates

Total Bimonthly Use (ccf)	Current Bill	Proposed FY 24-25	% Increase	Proposed FY 25-26	% Increase	Proposed FY 26-27	% Increase	Proposed FY 27-28	% Increase	Proposed FY 28-29	% Increase
0-4	64.4	91.7	42%	105.52	64%	119.35	85%	135.21	110%	159.24	147%
5	64.4	94.93	47%	109.23	70%	123.74	92%	140.26	118%	165.05	156%
10	64.4	111.97	74%	130.48	26%	145.69	126%	168.29	161%	191.49	197%
12 (current base rate max)	64.4	120.21	87%	140.2	117%	156.89	144%	181.17	181%	228.54	255%
13 (average bill)	67.15	120.77	85%	145.06	116%	162.49	142%	187.61	179%	235.95	251%
15	72.65	132.57	82%	154.78	113%	176.11	142%	200.49	176%	228.54	215%
20	86.4	153.17	77%	143.38	66%	204.11	136%	232.69	169%	265.59	207%
25	113.9	173.77	53%	203.38	79%	232.11	103%	264.89	133%	302.64	166%
30	141.4	194.37	37%	227.68	61%	260.11	84%	297.09	110%	339.69	140%
40	196.49	235.57	20%	261.04	33%	316.11	61%	261.49	33%	413.79	110%
50	276.49	276.77	0%	259.26	0%	372.11	35%	425.89	54%	487.89	76%

1 CCF =100 CCF 100 CCF = 748 gallons

These numbers are based on the Special Districts recent independent study.

Please refer to that study.

The increases include a rise in the base rate every year, and also a reduction in the base rate by 2/3. So, we can currently use 12 ccf without any extra charge. The new proposal has a hidden cost of \$112.92 under the fixed charge rate for 0-4 ccf, which isn't free.

Table 3: Average Residential Bimonthly Bill Impacts (18 ccf of Usage)

	CURRENT	PROPOSED					
		FY24-25	FY25-26	FY26-27	FY27-28	FY28-29	
Water Charges							
Base Fee	\$37.95	5/8" Fee	\$53.52	\$61.51	\$63.37	\$65.24	\$67.20
Volume Rates		Volume Rates					
Tier 1: 0 - 15 ccf	\$16.50	Tier 1: 0 - 18 ccf	\$25.38	\$29.16	\$30.06	\$30.96	\$31.86
Tier 2: Over 15 ccf	\$4.44	Tier 2: Over 18 ccf	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Water Loan Fee	\$15.32	Water Loan Fee	\$15.32	\$15.32	\$15.32	\$15.32	\$15.32
Subtotal Water	\$74.21	Increase	\$94.22	\$105.99	\$108.75	\$111.52	\$114.38
			27.0%	12.5%	2.6%	2.5%	2.6%
Sewer Charges							
Domestic Strength Fee	\$44.04		\$81.49	\$97.79	\$100.72	\$103.74	\$106.85
Sewer Loan Fee	\$14.00		\$14.00	\$14.00	\$14.00	\$14.00	\$14.00
Sewer Capital Improvement Fee	\$20.44		\$3.00	\$3.00	\$3.00	\$3.00	\$3.00
Subtotal Sewer	\$78.48	Increase	\$98.49	\$114.79	\$117.72	\$120.74	\$123.85
			25.5%	16.5%	2.6%	2.6%	2.6%
Total Bimonthly Bill	\$152.69	% Increase	\$192.71	\$220.78	\$226.47	\$232.26	\$238.23
			26.2%	14.6%	2.6%	2.6%	2.6%

Table 1: Current and Proposed Bimonthly Water Rates

	CURRENT	PROPOSED				
		FY24-25 Nov 15, 2024	FY25-26 Jul 1, 2025	FY26-27 Jul 1, 2026	FY27-28 Jul 1, 2027	FY28-29 Jul 1, 2028
FIXED CHARGES	Customer Class	FIXED CHARGES				
Code	Meter Size					
WA Residential	5/8"	\$53.52	\$61.51	\$63.37	\$65.24	\$67.20
WC Extra Unit	3/4"	\$53.52	\$61.51	\$63.37	\$65.24	\$67.20
WD Out of District	1"	\$53.52	\$61.51	\$63.37	\$65.24	\$67.20
WF Motel - per room	1-1/2"	\$90.49	\$104.02	\$107.17	\$110.33	\$113.64
WG RV - per space	2"	\$134.86	\$155.02	\$159.72	\$164.42	\$169.36
CN Fire Protection, 4-in. Pipe	3"	\$253.18	\$291.03	\$299.85	\$308.69	\$317.95
CL Fire Protection, 8-in. Pipe	4" - Fire protection	\$46.12	\$53.01	\$54.61	\$56.23	\$57.92
	6" - Fire protection	\$75.70	\$87.01	\$89.65	\$92.29	\$95.06
	8" - Fire protection	\$111.20	\$127.82	\$131.69	\$135.57	\$139.64
LK Loan Fee – all customers	Loan Fee – all customers	\$15.32	\$15.32	\$15.32	\$15.32	\$15.32
VOLUME RATES (per ccf)	All Customers	VOLUME RATES (per ccf)				
Code	Single Family Residential Customers					
WB/C Tier 1 Tier 1: 0 - 15 ccf	Tier 1: 0 - 18 ccf	\$1.41	\$1.62	\$1.67	\$1.72	\$1.77
WB Tier 2 Tier 2: Over 15 ccf	Tier 2: Over 18 ccf	\$1.96	\$2.25	\$2.32	\$2.39	\$2.46
WE Tier 1 Out of District Tier 1: 0 - 15 ccf	All Other Customers	\$1.75	\$2.01	\$2.07	\$2.13	\$2.19
WE Tier 2 Out of District Tier 2: Over 15 ccf	All Use	\$1.75	\$2.01	\$2.07	\$2.13	\$2.19

Note: Under the proposed rates, Out of District customers are proposed to be charged the same rates as In-District customers.
 Ccf – hundred cubic feet; one ccf = 748 gallons

SECTION 3: WATER REVENUE REQUIREMENT

Proposition 218 requires that utility rates be based on the reasonable cost of providing service to customers. The cost of service includes annual operating expenses, debt service payments, capital projects, and the accumulation of appropriate reserves. The water utility cost of service was developed based on the fiscal year FY2023/24 adopted budget, capital project list developed by staff, and reserve recommendations based on District policies.

3.1 Reserves

The water fund maintains two reserve funds: 1) an Operating (O&M) Reserve and 2) a Capital Improvement Reserve. As shown on Table 5, total water reserves as of July 1, 2023 was \$223,808.

Table 5: Water Reserve Funds

Reserve Fund	Total Proposed for FY 23/24 [1]
Water Reserves	
Capital Improvement	\$206,626
<u>Water System Replacement</u>	<u>\$17,182</u>
Total Water Reserves	\$223,808
Reserves Not Included in Study	
Roads Bridges Dams Res	\$506,948
Total Fund 262 Reserves	\$730,756

Estimated Balance as of 6/30/23 (i.e. beginning balance FY 23/24)

1 - Form #7 - Budget Request Summary, October 26, 2023

The accumulation of reasonable reserves is another factor to consider when determining the cost of service. Adequate fund reserves protect the District when faced with unforeseen financial challenges such as emergency expenses or revenue deficits. Fund reserves allow the District to maintain its financial health and positive credit ratings, especially during emergencies. Moreover, funding can be drawn from reserves to supplement rate revenues lost during drought conditions or other unexpected situations. The District can also choose to use reserves to smooth cash flows and mitigate impacts to ratepayers. It is acceptable if reserves dip below the target on a temporary basis, provided the District takes action to attain the target over the longer run.

The recommended reserve fund targets are as follows:

- Operating Reserve: The recommended fund balance target is equal to 50% (or six months) of annual O&M expenses. This is in line with industry standards that

recommend an operating reserve target of at least 25% of annual expenses to account for the time (at least 4 months) that it would take an agency to approve new rate increases and to comply with Proposition 218. For 2023/24, this equates to an operating reserve target of \$189,000.

- Capital Reserve: The recommended fund balance target is \$100,000 which is the estimated high-end cost of an emergency repair plus engineering expenses.

3.2 Revenues

The primary sources of revenues for the District are *Sales and Services* (or water rate revenues) and *Property Taxes*. Other revenue sources include *Water Collections* and *Reconnections*. In 2023/24, the District expects to collect about \$195,000 from water rates and \$16,000 from other sources, which equals a total of \$211,000.

Total property tax revenues are estimated at \$150,000 each year. The District decides how to allocate the property tax revenues between water services and road maintenance. The goal is to gradually eliminate the reliance of property taxes to fund water services over the next five years. To help mitigate water rate increases, the Advisory Board evaluated various options for phasing out property tax contributions. For 2024/25 and 2025/26 (years 1 and 2), \$120,000 of annual property tax revenues will be allocated to the water fund. For 2026/27 (year 3), the property tax contribution will be reduced to \$80,000. For 2027/28 (year 4), the property tax contribution will be \$40,000. In 2028/29 (year 5), the water fund will receive \$0 property tax revenues.

To be fiscally conservative, it is assumed that the District will experience no growth over the next five years and tax revenue will remain the same.

3.3 Expenses

3.3.1 Operating Costs

The District's water operating costs are provided in Table 6. For 2023/24, operating expenses total approximately \$378,000. Major line-items include *Admin & Overhead*, *Professional Services*, *Maintenance*, *Chemicals*, and *Utilities*. All operating expenses are projected to increase by 3.0% per year due to inflation.