

Notice of Proposed Water and Sewer Rate Increases

September 1, 2017

Dear Property Owner:

This notice is intended to inform you that the Heritage Ranch Community Services District (HRCSD) will hold a public hearing regarding proposed increases to utility charges for customers receiving HRCSD water and wastewater (sewer) services. The proposed water and sewer rate increases will be considered by the HRCSD Board of Directors at the date, time and location specified below.

Consistent with the requirements of Proposition 218, this notice also provides you with the following information:

- The amount of the proposed increases to water and sewer charges;
- The basis upon which the amount of the proposed increases to water and sewer charges was calculated; and
- How to protest the proposed increases to water and sewer charges.

Notice of Public Hearing

Public Hearing for the proposed increases to water and sewer charges will be held on:

Date: Thursday, October 19, 2017
Time: 4:00 p.m.
Place: 4870 Heritage Road, Heritage Ranch, California, 93446

This notice has been sent to all record owners of property that are responsible for payment of HRCSD water and sewer charges. If adopted by the HRCSD Board of Directors, the proposed increases to water and sewer charges would become effective January 1, 2018. The first rate increases and related charges will first appear on bills issued on February 1, 2018.

Proposed Water and Sewer Rate Increases

Increases to the monthly base rate and per unit rate for water, and the base rate for sewer service are proposed for all customer classifications as presented on page 2. Water charges have two components: a fixed charge and a volume charge. The fixed charge is per meter size. The volume charge is uniform for all meter sizes and classifications. Sewer rates are fixed charges established on an "Equivalent Dwelling Unit" (EDU) basis that uses metered water consumption as representative of wastewater flow. One EDU is defined as the average water consumption of a wastewater residential dwelling unit.

Proposed Fixed Water Charges

Meter Size	Existing Rates ¹	January 1, 2018	January 1, 2019	January 1, 2020	January 1, 2021	January 1, 2022
Inches		\$/month	\$/month	\$/month	\$/month	\$/month
5/8 x 3/4	\$20.41	\$20.03	\$21.64	\$23.37	\$25.24	\$27.24
1	25.98	27.27	29.48	31.84	34.41	37.14
1 1/2	33.40	44.61	48.23	52.13	56.33	60.85
2	53.81	66.78	72.22	78.07	84.38	91.16
3	\$204.11	\$137.31	\$148.55	\$160.58	\$173.61	\$187.53

Proposed Volume Water Charges

Classification	Existing Rates ²	January 1, 2018	January 1, 2019	January 1, 2020	January 1, 2021	January 1, 2022
<u>5/8 x 3/4" meter</u>		\$/unit ³	\$/unit	\$/unit	\$/unit	\$/unit
First 2 units	\$0.00	\$2.58	\$2.80	\$3.03	\$3.29	\$3.56
Next 19 units	2.80	\$2.58	\$2.80	\$3.03	\$3.29	\$3.56
Over 21 units	3.46	\$2.58	\$2.80	\$3.03	\$3.29	\$3.56
<u>1" meter</u>						
First 3 units	\$0.00	\$2.58	\$2.80	\$3.03	\$3.29	\$3.56
Next 57 units	2.80	\$2.58	\$2.80	\$3.03	\$3.29	\$3.56
Over 60 units	3.46	\$2.58	\$2.80	\$3.03	\$3.29	\$3.56
<u>1 1/2" meter</u>						
First 4 units	\$0.00	\$2.58	\$2.80	\$3.03	\$3.29	\$3.56
Next 121 units	2.80	\$2.58	\$2.80	\$3.03	\$3.29	\$3.56
Over 125 units	3.46	\$2.58	\$2.80	\$3.03	\$3.29	\$3.56
<u>2" meter</u>						
First 6 units	\$0.00	\$2.58	\$2.80	\$3.03	\$3.29	\$3.56
Next 318 units	2.80	\$2.58	\$2.80	\$3.03	\$3.29	\$3.56
Over 324 units	3.46	\$2.58	\$2.80	\$3.03	\$3.29	\$3.56
<u>3" meter</u>						
First 10 units	\$0.00	\$2.58	\$2.80	\$3.03	\$3.29	\$3.56
Next 640 units	2.80	\$2.58	\$2.80	\$3.03	\$3.29	\$3.56
Over 650 units	3.46	\$2.58	\$2.80	\$3.03	\$3.29	\$3.56

Proposed Fixed Sewer Charges

Classification	Existing Rates ²	January 1, 2018	January 1, 2019	January 1, 2020	January 1, 2021	January 1, 2022
		\$/month	\$/month	\$/month	\$/month	\$/month
Residential	\$26.09	\$27.79	\$29.59	\$31.52	\$33.56	\$35.75
RV Space	20.87	22.23	23.67	25.21	26.85	28.60
Commercial	26.09	27.79	29.59	31.52	33.56	35.75
Camp Restroom	55.36	58.97	62.79	66.88	71.21	75.86
Dump Facility	220.34	234.70	249.90	266.20	283.43	301.92
Holiday Condo.	\$782.57	\$833.70	\$887.70	\$945.60	\$1,006.80	\$1,072.50

¹ Existing fixed water charges became effective July 2012.

² Existing volume water and fixed sewer charges became effective July 2013.

³ A unit of water equals one hundred cubic feet, a hundred cubic feet of water is 748 gallons.

Sample Residential Monthly Water/Sewer Service Bill

The current three-tier rate structure was established in 2009. Recent court decision findings suggest that the tiered rate structure no longer meets the tests of Proposition 218, and that rates not only need to be proportional to cost of service, but they need to be proportional to cost of service within rate tiers of such rate structures. The proposed rate structure keeps the fixed charge by meter size but transitions from a tiered volume charge to a uniform volume charge. The HRCSD currently bills service for a one month period (monthly). The sample below includes the monthly fixed water charge, volume water charge, and fixed sewer charge for a single family home and is based on a $\frac{5}{8}$ x $\frac{3}{4}$ inch water meter using 7 units of water (5,236 gallons), which is the average water use at Heritage Ranch. The rates are proposed to gradually phase in over five years.

The sample below includes the monthly fixed water charge, volume water charge, and fixed sewer charge for a single family home.

If you have a $\frac{5}{8}$ x $\frac{3}{4}$ inch water meter using 7 units of water (5,236 gal):

Current Charges			Proposed Charges – Jan. 1, 2018		
Water	Fixed	\$20.41	Water	Fixed	\$20.03
Water	Volume	14.00	Water	Volume	18.06
Sewer	Fixed	26.09	Sewer	Fixed	27.79
Total		\$60.50	Total		\$65.88

Basis and Reasons for the Proposed Water and Sewer Rate Increases

The proposed increases to water and sewer rates are necessary for the HRCSD to continue to provide safe and reliable water and sewer services to the residents of Heritage Ranch due to increased operational, maintenance, repair, and capital project costs to aging water and sewer distribution, collection, and treatment facilities. Several factors contribute to increasing costs including, rehabilitation, replacement, and upgrades of water and sewer infrastructure and facilities, adequate revenues to cover operational expenditures, including the rising cost of electricity, chemicals, and supplies necessary to operate water and sewer facilities, increased costs associated with pumps, generators, and motors, ongoing maintenance of infrastructure, and increased labor costs.

Planned capital improvements to water and sewer infrastructure is a key factor in the fee increases. Between 2009 and 2016 the HRCSD invested in its water and sewer infrastructure including new treatment systems at the water plant and a new emergency water pipeline. Many of these projects were not planned and some were major maintenance and refurbishment projects for both the water and sewer systems. Total dollars spent on all capital and major maintenance projects, less loan proceeds, since FYE 2010 is approximately \$3.5 million. This busy period of projects was not fully funded by the last water/sewer rate increases that occurred in 2009 and lasted for five years. The HRCSD cash reserves were reduced by \$1.15 million due to new projects between 2009 and 2016 and new debt was added to the water fund. The HRCSD Board of Directors adopted a five year Capital Improvement Plan to guide new projects through year 2022. Some of those projects are a vertical well, pressure reducing valves, pump rehabilitations, wastewater system headworks, meter, road work, liner replacement, pond baffles, sludge removal, and lift station rehabilitations. These rate increases will be used to partially fund these water and sewer projects.

In addition, the water and sewer systems have experienced increased costs associated with meeting more stringent State and Federal regulations. The basis and reasons for the increases to water and sewer rates are more specifically detailed in the Water and Wastewater Rate Study dated August 2017, and prepared for the HRCSD by Tuckfield & Associates. The Rate Study describes the methodology for determining the proposed rates, which is based on an operating flow of funds analysis and preparation of a five-year pro forma financial plan.

Written Protest

Pursuant to Proposition 218, you may express support or opposition to any or all of the proposed increases to water and sewer charges, prior to the close of the public hearing referenced above. A written protest must contain:

1. A statement that it is a protest against the proposed charges which is the subject of the hearing; and
2. Name of the record owner; and
3. Identity of the affected parcel by the Assessor's Parcel Number (APN) or service address; and
4. Original signature of the record owner with respect to the identified parcel.

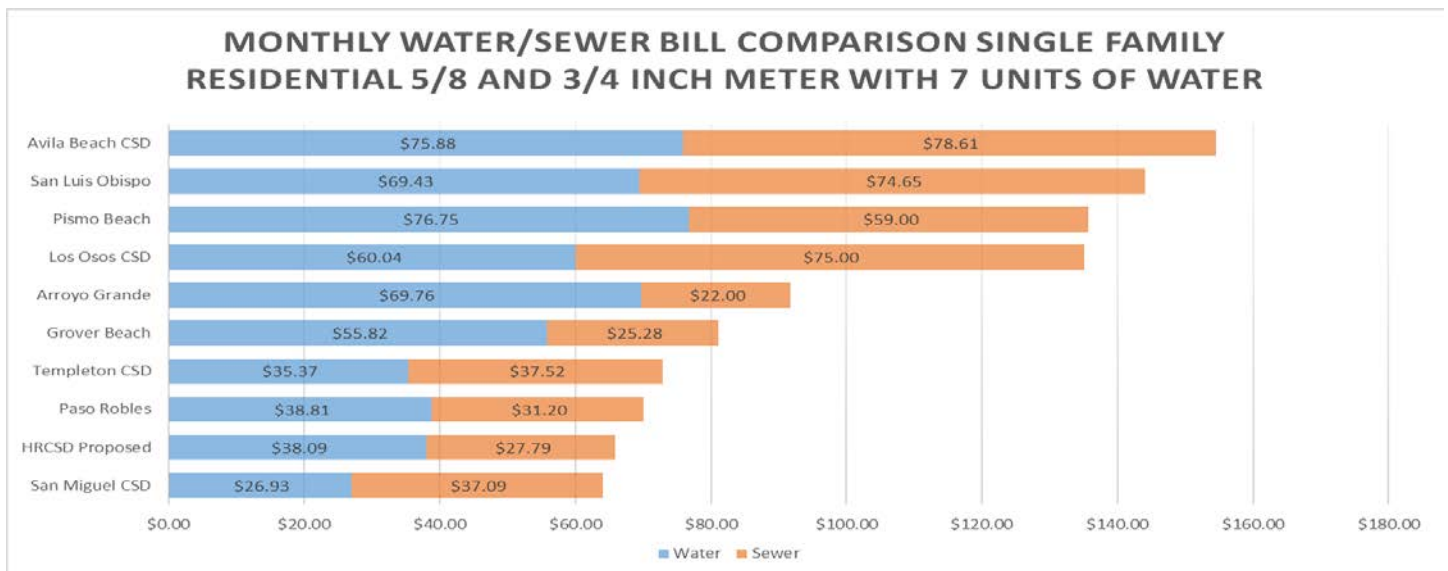
Written protest must be submitted to the District Secretary by the date of the hearing at 4:00 PM by:

1. Mail or delivery to the Heritage Ranch Community Services District Office at 4870 Heritage Road, Paso Robles, CA 93446.
2. Personally submitting the protest at the public hearing.

A protest may only be submitted by the record owner who signed the protest or an individual authorized in writing by the record owner to submit the protest. That written authorization shall be provided to the District Secretary so the Secretary may accept a protest from someone other than the person who signed it.

Survey of Water / Sewer Rates of Other San Luis Obispo County Agencies.

A survey of water/sewer rates for single family residential with a 5/8 x 3/4 inch meter throughout San Luis Obispo County is presented below. All agencies have different costs to produce the services, so rates vary. A key issue is that HRCSD is one of the few agencies that operate a surface water treatment plant. Many water purveyors use only groundwater. HRCSD is also one of the few smaller agencies that performs wastewater collection, treatment and discharge and water treatment and distribution. Many agencies that perform all these functions have large populations and can spread out fixed costs to many customers. Other agencies, like HRCSD, serve small populations and thus fixed costs must be borne by fewer customers. The survey rates are reported as monthly for comparison purposes and includes the proposed first year new rates for HRCSD. The survey reveals that the monthly median water/sewer combined rate of the agencies is \$86.43. The HRCSD proposed monthly water/sewer rate is \$65.88.



Questions

Please review the HRCSD website at www.heritageranchcsd.com for more information on the Rate Study. Additional information may also be obtained by contacting the HRCSD at (805) 227-6230.