

# AVILA BEACH COMMUNITY SERVICES DISTRICT

Post Office Box 309, Avila Beach, CA. 93424

## MEMORANDUM

TO: Board of Directors

FROM: Kathy Richardson, General Manager  
John Wallace, District Engineer

DATE: June 10, 2014

SUBJECT: Water & Wastewater Service Rate Increase; Prop 218 Public Hearing

### Recommendations:

1. Receive Staff Presentation
2. Open Public Hearing; receive public testimony
3. Close Public Hearing
4. Tabulate any protests received in accordance with the Proposition 218 process for increasing charges for water and sewer services; Report results
5. Adopt Resolution No 2014-07, if majority protest not received.

### Funding:

The District has completed a rate study in the last several months and the study concluded that there is a need to increase water rates 10% and sewer rates 25% respectively for each of the next 5 subsequent years. This will result in additional revenue to fund the cost of these services in the first year of approximately \$121,000.

### Discussion:

The District has completed a very comprehensive rate study for both water and sewer rates and has presented the results of this analysis to the Board and public in several advertised hearings. The study indicated that to meet the ongoing expenses and upgrades necessary for the operation of the District infrastructure, rate increases are necessary.

The public has been made aware of the rate study and both the need for additional revenue and the process for increasing rates were presented in Board meetings starting in September 2013. As a result, the District has commenced the process of increasing water and sewer service rates in accordance with a rate schedule presented at the April 8<sup>th</sup>, 2014 Board meeting. As a part of this process, public notice of the June 10, 2014 meeting was provided to all the District customers and property owners of property being served by the District.

Staff provided the required notice (attached) of the proposed rate increase to all District customers and property owners in a mailing sent on April 22, 2014. This is in addition to notices being posted in the District window and bulletin board located outside the post office, as well as on the District's website. In addition, the proposed action to increase rates has been discussed in multiple District Board meetings. As of June 4<sup>th</sup>, the District has 337 service connections and has received six written protests.

Resolution 2014-07 is attached for Board review as well as the proposed new rate schedule and

notice to property owners.

The schedule for this process is as follows:

1. April 8<sup>th</sup> 2014- Presentation of proposed rate schedules for water and sewer service. (completed)
2. April 22<sup>nd</sup> 2014 – Notice mailed to customers and owners of all affected properties (completed)
3. June 10, 2014 – Public Hearing and adoption of resolution and adoption of new rates
4. July 1<sup>st</sup> 2014 – New rates in effect (this allows for full billing cycles without “split rates” in the middle of the month)
5. August 1<sup>st</sup> 2014- New rates will be reflected on the utility billing for the month of July.

The Board should conduct the required public hearing and receive any further written protests against the proposed rate increases. Staff will tabulate those objections and report results after the close of the public hearing.

Along with the proposed resolution adopting rates, attached are the required notice sent on April 22, 2014 (attachment No. 1), the staff report from April 8, 2014 (attachment No.2). Protests that have been received are on file in the District office. The complete rate study is on file in the District office as well as being posted on the District’s web site.

**AVILA BEACH COMMUNITY SERVICES DISTRICT  
RESOLUTION NO. 2014 -07  
MONTHLY RATES AND CHARGES**

**A RESOLUTION OF THE BOARD OF DIRECTORS  
OF THE AVILA BEACH COMMUNITY SERVICES DISTRICT  
ADOPTING MONTHLY RATES AND CHARGES FOR WATER AND SEWER SERVICE**

**WHEREAS**, it is a major responsibility of the Avila Beach Community Services District (“District”) to:

- A. Operate and maintain its water production and distribution facilities so as to provide adequate water service and fire protection to District water customers;
- B. Maintain adequate levels of revenue, equitably collected from District water customers, to meet the District’s financial commitments including operation, maintenance, replacement and administrative costs of District’s water production and distribution facilities, including contractual commitments for State Water and Lopez Water;
- C. Operate and maintain its wastewater facilities so as to provide adequate wastewater treatment services to District’s wastewater customers;
- D. Maintain equitable levels of revenue equitably collected from District wastewater customers, to meet the District’s financial commitments including the operation, maintenance, replacement and administrative costs of District wastewater collection and treatment facilities; and

**WHEREAS**, Water Code §71616 provides:

§ 71616. Fixing of rates; revenues

A district, so far as practicable, shall fix such rates for water in the district, and in each improvement district therein, as will result in revenues which will:

- (a) Pay the operating expenses of the district and the improvement district.
- (b) Provide for repairs and depreciation of works.
- (c) Provide a reasonable surplus for improvements, extensions, and enlargements.
- (d) Pay the interest on any bonded debt.
- (e) Provide a sinking or other fund for the payment of the principal of such bonded debt as it becomes due.
- (f) Repay advances, together with interest at a rate not to exceed the interest value of money to the district, made from the district to an improvement district; and.

**WHEREAS**, the District has extensively reviewed its revenue requirements in meeting its operating and capital improvement needs for water and sewer services as well as rate structure options in appropriately allocating costs among customers, including a comprehensive analysis by NBS, supplemental review by rate consultant Bill Statler and numerous meetings and hearings by the Finance Committee and Board since September 2013; and

**WHEREAS**, the Board received a final report on March 11, 2014 regarding water and wastewater rates (herein “Report”) that includes an analysis of both the water and

wastewater operating rates and charges for the District's Water and Sewer Divisions as provided in Water Code §71616. The intent of the Report is to assess the District's revenue requirements and to provide an evaluation of the equity of the District's current rate structure and the relationship (nexus) between the rates charged and the services provided. The Report further identifies a rate structure that enables the District to meet revenue requirements for water and wastewater operations including the District's contractual commitments for State Water and Lopez Water while maintaining fairness and equity among existing and future rate payers; and

**WHEREAS**, the Report and other related documents have been available for public inspection at the District office and posted on its web site; and

**WHEREAS**, based upon facts, analysis and public testimony presented and considered by the Board, it hereby finds that:

- A. The public meetings adopting this Resolution have been properly noticed pursuant to Government Code Section 54954.2 (The Brown Act);
- B. Notice has been provided as required by law including California Constitution Article XIII (D) (6); and
- C. On June 10, 2014, the District conducted a public hearing on the proposed rates and charges and to consider written protests.
- D. A majority of customers or owners of identified parcels and accounts have not submitted written protests against the proposed rates or charges.
- E. The rates and charges imposed by this Resolution upon any parcel or customer as an incident of property ownership within the District, do not exceed the estimated reasonable and proportional cost of providing the services; and
- F. The rates and charges established by this Resolution are imposed as an incident of requesting or using District water and wastewater treatment services.
- G. The water rate structure approved by this Resolution is implemented, in part, to achieve the goals of Section 2, Article X of the California Constitution and Section 100 of the California Water Code related to water conservation.
- H. The District's customers benefit from the logical, long-range approach to financing of public services.

**NOW, THEREFORE, BE IT RESOLVED, DETERMINED AND ORDERED**, by the Board of Directors of the District as follows:

**Section 1.** Authority.

This Resolution is enacted pursuant to Government Code §§ 61100(a) and (b), 61115, and 61123 and Water Code §71616.

**Section 2.** Existing District Monthly Water Rates and Charges are repealed in their

entirety and replaced with the Monthly Rates and Charges referenced in Exhibit "A", attached hereto and incorporated into this Resolution by reference.

**Section 3.** Existing District Monthly Sewer Rates and Charges are repealed in their entirety and replaced with the Monthly Rates and Charges referenced in Exhibit "A", attached hereto and incorporated into this Resolution by reference.

**Section 4.** Use of Revenues.

The revenue from the rates and charges imposed by this Resolution shall not be used for any purpose other than that for which the fee or charge is imposed.

**Section 5.** Incorporation of Recitals

The Recitals are true and correct and incorporated herein by this reference. The Recitals and referenced reports and studies contained therein constitute and support the findings of the District in support of the rates and charges adopted by this Resolution.

**Section 6.** Inconsistency.

To the extent that the terms of provision of this Resolution may be inconsistent or in conflict with the terms or conditions of any prior District Ordinances, Motions, Resolutions, Rules, or Regulations governing the same subject matter thereof, then such inconsistent and conflicting provisions of prior Ordinances, Motions, Resolutions, Rules, and Regulations are hereby repealed.

**Section 7.** Effect of Repeal on Past Actions and Obligations.

This Resolution does not affect prosecutions for violations committed prior to the effective date of this Resolution, does not waive any fee or penalty due and unpaid on the effective date of this Resolution.

**Section 8.** CEQA Findings.

The Board of Directors of the District finds that the fees and charges adopted by this Resolution are exempt from the California Environmental Quality Act pursuant to Public Resources Code § 21080(b)(8) and CEQA Guidelines Section 15273. The District General Manager is directed to prepare and file an appropriate notice of exemption.

**Section 9.** Severance Clause.

If any section, subsection, sentence, clause or phrase of this Resolution is for any reason held to be unconstitutional, ineffective or in any manner in conflict with the laws of the United States, or the State of California, such decision shall not affect the validity of the remaining portions of this Resolution. The Governing Board of the District hereby declares that it would have passed this Resolution and each section, subsection, sentence, clause and phrase thereof, irrespective of the fact that any one or more sections, subsection, sentence, clause or phrase be declared unconstitutional, ineffective, or in any manner in conflict with the laws of the United States or the State of California.

**Section 10.** Effect of Headings in Resolution.

Title, division, part, chapter, article, and section headings contained herein do not in any manner affect the scope, meaning, or intent of the provisions of this Resolution.

**Section 11. Effective Date.**

This Resolution shall become effective immediately. The Rates and Charges adopted by this Resolution shall become effective as of July 1, 2014.

Adopted by the Board of Directors of the Avila Beach Community Services District on this 10<sup>th</sup> day of June 2014 by the following roll call vote, to wit:

AYES:

NOES:

ABSENT:

CONFLICTS:

\_\_\_\_\_  
Peter Kelley, Vice President  
Avila Beach Community Services District  
Board of Directors

ATTEST:

APPROVED AS TO FORM:

\_\_\_\_\_  
Kathy Richardson  
Secretary to the Board

\_\_\_\_\_  
Michael Seitz  
District Legal Counsel

**Exhibit A. Water and Sewer Rates**

*The minimum charge includes 5 billing units of consumption. One billing unit equals 748 gallons.*

*The commodity charge is per billing unit in excess of the 5 billing units included in the minimum charge.*

	<b>Water and Sewer Rates: Effective July 1 of Each Year</b>				
	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
<b>Monthly Water Rates (Same for All Customer Types)</b>					
Minimum Charge	\$44.75	\$49.25	\$54.20	\$59.60	\$65.55
Commodity Charge	\$8.95	\$9.85	\$10.84	\$11.92	\$13.11
<b>Monthly Sewer Rates (By Customer Type)</b>					
Residential					
Minimum Charge	\$35.90	\$44.90	\$56.15	\$70.20	\$87.75
Commodity Charge	\$7.18	\$8.98	\$11.23	\$14.04	\$17.55
Multi-Family					
Minimum Charge	\$37.95	\$47.45	\$59.30	\$74.15	\$92.70
Commodity Charge	\$7.59	\$9.49	\$11.86	\$14.83	\$18.54
Restaurants					
Minimum Charge	\$51.70	\$64.65	\$80.80	\$101.00	\$126.25
Commodity Charge	\$10.34	\$12.93	\$16.16	\$20.20	\$25.25
Commercial/Public					
Minimum Charge	\$48.40	\$60.50	\$75.65	\$94.55	\$118.20
Commodity Charge	\$9.68	\$12.10	\$15.13	\$18.91	\$23.64
Industrial/Laundry					
Minimum Charge	\$55.20	\$69.00	\$86.25	\$107.80	\$134.75
Commodity Charge	\$11.04	\$13.80	\$17.25	\$21.56	\$26.95



# NOTICE OF PUBLIC HEARING

## Proposed Water and Sewer Service Rate Increases

A public hearing on proposed rate increases for water and sewer services provided by the Avila Beach Community Services District will be held on:

**Date:** Tuesday, June 10, 2014

**Time:** 7:00 PM

**Place:** Avila Beach Community Center, 191 San Miguel Street, Avila Beach, CA, 93424

The hearing will cover proposed rate increases for the next five years for water and sewer services. This notice is provided to all property owners and customers who currently receive either of these services from the District. If adopted, the proposed rate increases will become effective July 1 of each year in 2014, 2015, 2016, 2017 and 2018.

### **Multi-year approach to setting rates**

By taking a multi-year approach to rate-setting in meeting long-term infrastructure repair and improvement needs as well as delivering day-to-day services, the District can better prepare for the future and avoid significant unexpected rate increases. For this reason, the District is proposing rate increases for the next five years. It is important to note that if subsequent annual reviews of revenues and expenses show that future rate increases are not needed or can be adopted at lower amounts, the Board of Directors can postpone or adopt a smaller increase. However, the Board cannot approve rate increases beyond those proposed in this notice without additional notice to all of its customers.

### **Why are rates increasing?**

Stated simply, these increases are needed to ensure safe, reliable delivery of essential water and sewer services to our customers that meet state and federal quality standards.

**Extensive review before proposing rate increases.** Water and sewer rates have not been increased for four years. To ensure that water and sewer rates are sufficient to adequately deliver day-to-day services as well as capital projects to maintain and improve key facilities like water and sewer lines, pumps, reservoirs and the wastewater treatment plant, the District contracted with NBS (one of the leading firms in the State that prepare these types of reviews) in 2012 to comprehensively analyze the District's revenue requirements. The NBS study, which was presented to the Board in September 2013, also analyzed the District's rate structure to ensure fairness among different types of water and sewer customers as well as connection fees to ensure that new development pays its fair share of the facilities needed to serve it. (Updated connection fees for new development were adopted by the Board in December 2013.)

Since then, the Board has held a number of workshops and hearings in balancing the need to adequately fund essential water and sewer services while also mitigating rate impacts on the District's customers. Key factors driving the need for rate increases at this time include adequately funding:

- Reasonable reserves to meet unexpected service needs and emergency repairs.
- Day-to-day delivery of services.
- Capital projects for facility maintenance and improvements. This is the most significant factor driving the need for rate increases: while reimbursements from other agencies, low interest loans and fees from new development will pay for most of the projected \$4.4 million in capital project costs over the next five years, revenues from rates are also required.

### **What are the proposed increases?**

As outlined below, effective July 1, 2014, water rates are proposed to increase by 10% each year through July 1, 2018; and sewer rates are proposed to increase by 25% each year, also through July 1, 2018.



<b>Proposed Water and Sewer Rates</b>						
<i>The minimum charge includes 5 billing units of consumption. One billing unit equals 748 gallons.</i>						
<i>The commodity charge is per billing unit in excess of the 5 billing units included in the minimum charge.</i>						
	Existing Rate	Proposed Rates: July 1 of Each Year				
		2014	2015	2016	2017	2018
<b>Monthly Water Rates (Same for All Customer Types)</b>						
Minimum Charge	\$40.70	\$44.75	\$49.25	\$54.20	\$59.60	\$65.55
Commodity Charge	\$8.14	\$8.95	\$9.85	\$10.84	\$11.92	\$13.11
<b>Monthly Sewer Rates (By Customer Type)</b>						
Residential						
Minimum Charge	\$28.70	\$35.90	\$44.90	\$56.15	\$70.20	\$87.75
Commodity Charge	\$5.74	\$7.18	\$8.98	\$11.23	\$14.04	\$17.55
Multi-Family						
Minimum Charge	\$30.35	\$37.95	\$47.45	\$59.30	\$74.15	\$92.70
Commodity Charge	\$6.07	\$7.59	\$9.49	\$11.86	\$14.83	\$18.54
Restaurants						
Minimum Charge	\$41.35	\$51.70	\$64.65	\$80.80	\$101.00	\$126.25
Commodity Charge	\$8.27	\$10.34	\$12.93	\$16.16	\$20.20	\$25.25
Commercial/Public						
Minimum Charge	\$38.70	\$48.40	\$60.50	\$75.65	\$94.55	\$118.20
Commodity Charge	\$7.74	\$9.68	\$12.10	\$15.13	\$18.91	\$23.64
Industrial/Laundry						
Minimum Charge	\$44.15	\$55.20	\$69.00	\$86.25	\$107.80	\$134.75
Commodity Charge	\$8.83	\$11.04	\$13.80	\$17.25	\$21.56	\$26.95

As reflected above, the proposed rate increases, on a percentage basis, are the same for all customers, based on the existing rate structure. While the NBS study identified an alternative rate structure, after considering a wide range of options over the past months at a number of workshops and hearings, the Board has tentatively concluded that the current rate structure best meets community needs in balancing fairness among customer types, revenue stability, encouraging water conservation and being easy for customers to understand.

**Why is the proposed sewer rate increase so much larger than the water one?** As noted above, facility repairs and improvements are the main reasons for the proposed rate increases. In the case of sewer service, within the next five years the District will need to begin making major improvements to its wastewater treatment plant in meeting state and federal Clean Water Act requirements.

**What's the impact on the average customer?** In the most recent billing, over 80% of the District's customers paid only the minimum charge. As such, the "average" customer will pay the minimum charges shown in the chart above.

**How can I find out more about the proposed rate increases?** The District has placed all of the key agenda reports, studies and presentations related to the proposed rate increase on its web site at [www.avilabeachcsd.org/proposedrateincrease](http://www.avilabeachcsd.org/proposedrateincrease). Additionally, you can contact us by phone at 805.595.2664 or email at [avilacsd@gmail.com](mailto:avilacsd@gmail.com).

**How do I protest the proposed water or sewer rate increases?**


Under Proposition 218, if you are the owner of record for a parcel or parcels or a tenant directly liable for payment of the fees subject to the proposed rate increases, you may submit a written protest against the proposed rate increase for water or sewer. If written protests are filed by a majority of the affected customers, the applicable rate increase will not be imposed. For a protest to be valid, it must: be in legible writing and received by the General Manager at or before the public hearing either by mail, P.O. Box 309, Avila Beach, CA 93424 or personal delivery at 191 San Miguel Street, Avila Beach, CA, 93424; specifically state which rate is being protested (water, sewer or both); contain the service address; and be signed by either the account holder or the property owner of the service address.


**AVILA BEACH  
COMMUNITY SERVICES DISTRICT**

Post Office Box 309, Avila Beach, CA. 93424

**MEMORANDUM**

TO: Board of Directors

VIA: Kathy Richardson, General Manager 

FROM: John L. Wallace, District Engineer 

DATE: April 8, 2014

SUBJECT: Rate Study—Water and Sewer Service Charges; Approval of Prop 218 Notice and setting of date for Protest Hearing for June 10, 2014

**Recommendations:**

1. Receive this report with proposed new rates for water and sewer service charges.
2. Take any public testimony re: this status report and proposed new rates in general.
3. Confirm the proposed rates as the rates intended for adoption pending the required Prop 218 Protest Hearing.
4. Review and approve the attached Notice for Proposed Rate Increase for Water and Sewer Service Charges (Prop 218 Notice).
5. Set June 10, 2014 as the date for a public hearing and to receive any protests to the proposed rates

**Discussion:**

At the Board meeting on March 11, 2014, the Board received a report on the final rate adjustments proposed by staff and the Finance Committee. The proposed rates had been reviewed over several months concluding with a presentation from Mr. Bill Statler on the process for setting new rates. The District had retained Mr. Bill Statler, a local financial consultant to review the previous conclusions and reports prepared by NBS and to provide more insight on the NBS work and recommendations on possible alternatives to the rates being proposed by NBS.

After receiving public comment, and after further review from the Finance Committee, the Board has scheduled the meeting of April 8, 2014 for the initiation of the Prop 218 process utilizing the rates proposed on March 11, 2014 and tentatively agreed upon as the appropriate rate increases to be scheduled over the next period of time. The proposed rates, staff believes will meet the goals of:

- Setting appropriate reserve targets,
- Meeting necessary total revenue requirements, and
- Reducing, as much as possible, the overall financial impact to the ratepayers

The proposed rate increases for water and sewer services are shown in Exhibit 1 (attached).

As noted in previous reports, the scheduling of the Prop 218 process will not allow the new rates to go into effect until the next fiscal year (FY 2014-15); see schedule (Exhibit No. 2).

**What has been studied and what was explored in the processing of the Rate Study leading up to the Board's direction to proceed with the Prop 218 process at the meeting on April 8, 2014?**

**The following scenarios were prepared by staff and reviewed with the Finance Committee:**

- Revenue generated by existing rates and the resulting shortfall of financing necessary for on-going O&M of the existing infrastructure.
- Revenue generated by a 15% increase in water (unit rates), and a 20% increase in sewer rates.
- Revenue generated by a 10% increase in water (unit rates) and a 25 % increase in sewer rates.
- There were also variations of these alternatives using a different amount of water to be billed as a minimum amount, ie. Zero, three and five units.

With the exception of the 10% water/25% sewer the analysis from each of these scenarios indicated that the revenue generated was not sufficient to cover the expenses and reserves needed.

The rate scenarios were evaluated with a recommendation for full Board consideration as discussed below.

**Suggested Rate Structure as derived from the Finance Committee deliberations and by general concurrence by the Board at the March 1, 2014 meeting.**

1. Water and sewer rates are to be proposed utilizing "Scenario No. 2" (without

Chevron).

2. The fixed water rates for 1" meters are to be the same as 3/4 -5/8 meters where a 1" meter was installed for fire protection.
3. Restaurant rates were adjusted to eliminate an unreasonable minimum charge for medium and small restaurants.
4. The question of some relief (ie possibly a \$10 credit) for lower income families was continued as a separate item for future discussion and not applied to the proposed rate structure at this time.
5. It is recognized that the future wastewater expenses of operating and maintaining the sewer and wastewater treatment plant are greater than that for the water system and therefore a scenario using a 10% increase in water rates and a 25% increase to the existing sewer rates was analyzed. These adjustments:
  - Eliminated the existing projected deficit in the water and sewer revenues of approximately \$68,000/year (against expenses) and provided about a \$11,000 surplus/yr with which to bolster reserves and to assist with capital improvement projects (CIP's). Also, the currently scheduled CIP's have been rescheduled to spread out those costs into future years where justified.
  - Keep the five (5) unit minimum as currently employed in the District's existing rate structure.
  - Recognize that the major CIP's, namely the WWTP upgrade, will be funded by a State Revolving Fund loan, but there will be significant expense with the WWTP upgrade and a revised rate structure will need to be implemented to be able to pay off the loan amounts
  - Also provides for a constant five-year increase (with the same percentages if needed by the District. **It is important to note that if the revenue projections indicate that the full increase is not needed each successive year, then the Board may make the decision to postpone the increase or adopt a smaller increase.**

Also attached as Exhibit No. 3 is a chart showing the results of applying these increases across the next five years as well is a modified five year Capital Improvement Program (Exhibit 4), that will be presented and considered as part of the FY 204-15 Budget.

### **Next Steps**

At this point, the Board is being asked to make a final review of the proposed rate structure and initiate the Prop 218 process. Attached as Exhibit 4 is the proposed notice of hearing that will need to be sent out to residents and property owners by April 25, 2014 in accordance with the schedule shown in Exhibit 2.

## **Conclusion**

It is not the intent of the District to unduly burden the residents and customers by needlessly increasing the cost of the services. However, there does come a point in time where increasing the water and sewer rates must be considered. It is vitally important that rates for services keep up with the cost of providing those services.

## **Exhibits:**

1. Proposed rate structure for water and sewer
2. Prop 218 estimated rate implementation schedule
3. Adjusted Five Year Capital Improvement Budget and Graphs for various customer types across the next five years.
4. Prop 218 Notice to Property Owners and Tenants.

**Proposed Water and Sewer Rates**

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The commodity charge is per billing unit in excess of the 5 billing units included in the minimum charge.*

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**Avila Beach Community Services District  
Rate Study / Proposition 218 Process**

Rate Study	2013												2014		
	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	
NBS presentation to Board (Rate Study methodology)	3/12/13														
NBS presentation to Board (Final Report)						9/10/13									
Finance Committee review						9/30/13									
Board considers recommended adjustments to Rates and Connection Fees							10/8/13								
Board considers and adopts Connection Fees								12/10/13							
Connection Fees in effect										1/1/14					
Board reviews NBS recommended Service Charges											1/14/14				
Finance Committee meeting												1/27/14			
Board to review Service Charges with tentative present by consultant (Statler)															2/11/14

Proposition 218 Process	2014													
	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	
Board reviews rate charge alternatives	2/11/14													
Proposed Finance Committee meeting	2/22/14													
Board considers Finance Committee recommended rates		3/11/14												
Board considers final rates; Reviews Prop 218 notice			4/11/14											
Prop 218 notices printed and mailed			4/25/14											
Protest Hearing (regular meeting)					6/10/14									
Meters read; Rates in effect by Resolution						6/26/14								
July water usage; meters read 7/25/14, bills out 7/31/14 with new rates adopted							7/31/14							
New revenue received								8/1/14 - 8/31/14						

2013/14 Fiscal Year Budget  
 Avila Beach Community Services District  
 Capital Equipment / Projects  
 Proposed Revision for Rate Study/Cost Spread

Item Description	Total 5 Years	2013/14 1	2014/15 2	2015/16 3	2016/17 4	2017/18 5
<b>Administration</b>						
ADM-1 General Administrative Capital Equipment	\$ 14,500	\$ 2,500	\$ 3,500	\$ 2,500	\$ 3,500	\$ 2,500
<b>Subtotal:</b>	<b>\$ 14,500</b>	<b>\$ 2,500</b>	<b>\$ 3,500</b>	<b>\$ 2,500</b>	<b>\$ 3,500</b>	<b>\$ 2,500</b>
<b>Water</b>						
W-C1 Storage System Improvements Phase 1 - Water Tank #1	\$ 35,000	\$ 35,000				
W-C2 Storage System Improvements Phase 2 - Water Tank #1	\$ 9,000	\$ 9,000				
W-C3 Regulatory Permit Compliance (moved to Ops Budget)	\$ 0.00		\$ 0.00			
W-1 Misc Water Projects	\$ 375,000	\$ 75,000	\$ 75,000	\$ 75,000	\$ 75,000	\$ 75,000
WF-1 Lopez Booster Pumps	\$ 150,000			\$ 75,000	\$ 75,000	
WF-2 Misc Water Line Replacements	\$ 150,000			\$ 50,000	\$ 50,000	\$ 50,000
<b>Subtotal:</b>	<b>\$ 719,000</b>	<b>\$ 119,000</b>	<b>\$ 75,000</b>	<b>\$ 200,000</b>	<b>\$ 200,000</b>	<b>\$ 125,000</b>
<b>Wastewater</b>						
WW-C1 Continuation of Secondary Treatmt Expansion Study at WWTP (2)	\$ 5,000	\$ 5,000				
WW-C2 Secondary Treatment Expansion at WWTP (2,3)	\$ 1,575,000	\$ 50,000	\$ 75,000	\$ 250,000	\$ 1,200,000	
WW-C3 Regulatory Permit Compliance (moved to Ops Budget)	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
WW-C4 Chlorine Contact Chamber Coating (2)	\$ 65,000	\$ 10,000	\$ 55,000			
WW-C5 San Luis Street Sewer Replacement	\$ 220,000		\$ 220,000			
WW-C6 Wastewater Collection Line Repair Contingency	\$ 150,000	\$ 50,000		\$ 50,000		\$ 50,000
WW-C7 Influent Wet Well Coating Repairs (2)	\$ 24,000	\$ 4,000	\$ 20,000			
WW-C8 Pump Room Improvements at WWTP (2)	\$ 5,000	\$ 5,000				
WW-1 Update Sewer Use Ordinance (moved to Ops Budget)	\$ 0.00	\$ 0.00		\$ 0.00		
WW-2 Miscellaneous Wastewater Projects (2)	\$ 485,000	\$ 10,000	\$ 75,000	\$ 100,000	\$ 150,000	\$ 150,000
WW-3 Permit Application Process for NPDES Permit (2)	\$ 25,000	\$ 5,000	\$ 20,000			
WW-F1 Avila Beach Drive Sewer Line Replacement	\$ 150,000		\$ 150,000			
WW-F2 Marine Outfall Cleaning (combine w/WW-F4)	\$ 0.00					
WW-F3 First Street Sewer Line Replacement	\$ 200,000				\$ 200,000	
WW-F4 Ocean Outfall Inspection, Cleaning and Benthic Monitoring (2)	\$ 100,000					\$ 100,000
WW-F5 Front Street Sewer Line Replacement	\$ 150,000					\$ 150,000
WW-F6 San Miguel Street Sewer Line Replacement	\$ 500,000					\$ 500,000
<b>Subtotal:</b>	<b>\$ 3,654,000</b>	<b>\$ 139,000</b>	<b>\$ 615,000</b>	<b>\$ 400,000</b>	<b>\$ 1,550,000</b>	<b>\$ 950,000</b>
<b>Street Lighting</b>						
L-1 Repair or Replace Lights and Electrical Systems (As Needed)	\$ 37,500	\$ 7,500	\$ 7,500	\$ 7,500	\$ 7,500	\$ 7,500
<b>Subtotal:</b>	<b>\$ 37,500</b>	<b>\$ 7,500</b>	<b>\$ 7,500</b>	<b>\$ 7,500</b>	<b>\$ 7,500</b>	<b>\$ 7,500</b>
<b>Total Capital Equipment / Projects by Fiscal year:</b>		<b>\$ 268,000</b>	<b>\$ 701,000</b>	<b>\$ 610,000</b>	<b>\$ 1,761,000</b>	<b>\$ 1,085,000</b>
<b>Total 5-Year Capital Equipment / Projects</b>		<b>\$ 4,425,000</b>				

<b>(1) WWTP Maintenance Projects (Total)</b>	
n/a	ABCSD's Share (85%)
n/a	PSLHD's Share (15%)

<b>(2) WWTP Capital Improvement Projects (Total)</b>	
\$ 1,484,600	ABCSD's Share (65%)
\$ 7,437.50	PSLHD's Share (35%)

**KEY**

- ADM# = ADMINISTRATION
- ADM-C# = ADMINISTRATION (Carry over)
- W# = WATER
- W-C # = WATER (Carry Over)
- W-F# = FUTURE WATER - NEXT FISCAL YEAR
- WW# = WASTEWATER
- WW-F# = FUTURE WASTEWATER - NEXT FISCAL YEAR
- WW-C# = WASTEWATER (Carry Over)
- L# = STREET LIGHTING
- (1) = Maintenance Project (Cost Sharing is Flow Based, with PSLHD contributing 15% of the costs)
- (2) = Capital Improvement Project (Cost Sharing is Ownership Based, with PSLHD contributing 35% of the costs)
- (3) = Capital Improvement Project (to be funded by State Revolving Fund Loans)



**Avila Beach Community Services District  
 Projected Water and Sewer Rates for Minimum Service Charges  
 FY 2014/15 through FY 2018/19**





# NOTICE OF PUBLIC HEARING

## Proposed Water and Sewer Service Rate Increases

A public hearing on proposed rate increases for water and sewer services provided by the Avila Beach Community Services District will be held on:

**Date:** Tuesday, June 10, 2014

**Time:** 7:00 PM

**Place:** Avila Beach Community Center, 191 San Miguel Street, Avila Beach, CA, 93424

The hearing will cover proposed rate increases for the next five years for water and sewer services. This notice is provided to all property owners and customers who currently receive either of these services from the District. If adopted, the proposed rate increases will become effective July 1 of each year in 2014, 2015, 2016, 2017 and 2018.

### **Multi-year approach to setting rates**

By taking a multi-year approach to rate-setting in meeting long-term infrastructure repair and improvement needs as well as delivering day-to-day services, the District can better prepare for the future and avoid significant unexpected rate increases. For this reason, the District is proposing rate increases for the next five years. It is important to note that if subsequent annual reviews of revenues and expenses show that future rate increases are not needed or can be adopted at lower amounts, the Board of Directors can postpone or adopt a smaller increase. However, the Board cannot approve rate increases beyond those proposed in this notice without additional notice to all of its customers.

### **Why are rates increasing?**

Stated simply, these increases are needed to ensure safe, reliable delivery of essential water and sewer services to our customers that meet state and federal quality standards.

**Extensive review before proposing rate increases.** Water and sewer rates have not been increased for four years. To ensure that water and sewer rates are sufficient to adequately deliver day-to-day services as well as capital projects to maintain and improve key facilities like water and sewer lines, pumps, reservoirs and the wastewater treatment plant, the District contracted with NBS (one of the leading firms in the State that prepare these types of reviews) in 2012 to comprehensively analyze the District's revenue requirements. The NBS study, which was presented to the Board in September 2013, also analyzed the District's rate structure to ensure fairness among different types of water and sewer customers as well as connection fees to ensure that new development pays its fair share of the facilities needed to serve it. (Updated connection fees for new development were adopted by the Board in December 2013.)

Since then, the Board has held a number of workshops and hearings in balancing the need to adequately fund essential water and sewer services while also mitigating rate impacts on the District's customers. Key factors driving the need for rate increases at this time include adequately funding:

- Reasonable reserves to meet unexpected service needs and emergency repairs.
- Day-to-day delivery of services.
- Capital projects for facility maintenance and improvements. This is the most significant factor driving the need for rate increases: while reimbursements from other agencies, low interest loans and fees from new development will pay for most of the projected \$4.4 million in capital project costs over the next five years, revenues from rates are also required.

### **What are the proposed increases?**

As outlined below, effective July 1, 2014, water rates are proposed to increase by 10% each year through July 1, 2018; and sewer rates are proposed to increase by 25% each year, also through July 1, 2018.

<b>Proposed Water and Sewer Rates</b>						
<i>The minimum charge includes 5 billing units of consumption. One billing unit equals 748 gallons.</i>						
<i>The commodity charge is per billing unit in excess of the 5 billing units included in the minimum charge.</i>						
	Existing	Proposed Rates: July 1 of Each Year				
	Rate	2014	2015	2016	2017	2018
<b>Monthly Water Rates (Same for All Customer Types)</b>						
Minimum Charge	\$40.70	\$44.75	\$49.25	\$54.20	\$59.60	\$65.55
Commodity Charge	\$8.14	\$8.95	\$9.85	\$10.84	\$11.92	\$13.11
<b>Monthly Sewer Rates (By Customer Type)</b>						
Residential						
Minimum Charge	\$28.70	\$35.90	\$44.90	\$56.15	\$70.20	\$87.75
Commodity Charge	\$5.74	\$7.18	\$8.98	\$11.23	\$14.04	\$17.55
Multi-Family						
Minimum Charge	\$30.35	\$37.95	\$47.45	\$59.30	\$74.15	\$92.70
Commodity Charge	\$6.07	\$7.59	\$9.49	\$11.86	\$14.83	\$18.54
Restaurants						
Minimum Charge	\$41.35	\$51.70	\$64.65	\$80.80	\$101.00	\$126.25
Commodity Charge	\$8.27	\$10.34	\$12.93	\$16.16	\$20.20	\$25.25
Commercial/Public						
Minimum Charge	\$38.70	\$48.40	\$60.50	\$75.65	\$94.55	\$118.20
Commodity Charge	\$7.74	\$9.68	\$12.10	\$15.13	\$18.91	\$23.64
Industrial/Laundry						
Minimum Charge	\$44.15	\$55.20	\$69.00	\$86.25	\$107.80	\$134.75
Commodity Charge	\$8.83	\$11.04	\$13.80	\$17.25	\$21.56	\$26.95

As reflected above, the proposed rate increases, on a percentage basis, are the same for all customers, based on the existing rate structure. While the NBS study identified an alternative rate structure, after considering a wide range of options over the past months at a number of workshops and hearings, the Board has tentatively concluded that the current rate structure best meets community needs in balancing fairness among customer types, revenue stability, encouraging water conservation and being easy for customers to understand.

**Why is the proposed sewer rate increase so much larger than the water one?** As noted above, facility repairs and improvements are the main reasons for the proposed rate increases. In the case of sewer service, within the next five years the District will need to begin making major improvements to its wastewater treatment plant in meeting state and federal Clean Water Act requirements.

**What's the impact on the average customer?** In the most recent billing, over 80% of the District's customers paid only the minimum charge. As such, the "average" customer will pay the minimum charges shown in the chart above.

**How can I find out more about the proposed rate increases?** The District has placed all of the key agenda reports, studies and presentations related to the proposed rate increase on its web site at [www.avilabeachcsd.org/proposedrateincrease](http://www.avilabeachcsd.org/proposedrateincrease). Additionally, you can contact us by phone at 805.595.2664 or email at [avilacsd@gmail.com](mailto:avilacsd@gmail.com).

**How do I protest the proposed water or sewer rate increases?**

Under Proposition 218, if you are the owner of record for a parcel or parcels or a tenant directly liable for payment of the fees subject to the proposed rate increases, you may submit a written protest against the proposed rate increase for water or sewer. If written protests are filed by a majority of the affected customers, the applicable rate increase will not be imposed. For a protest to be valid, it must: be in writing and received by the General Manager at or before the public hearing either by mail or personal delivery at 191 San Miguel Street, Avila Beach, CA, 93424; specifically state which rate is being protested (water, sewer or both); contain the service address; and be signed by either the account holder or the property owner of the service address.

ABCSD EXISTING MONTHLY RATE STRUCTURE and Commodity Charge

CLASS	WATER RATE Existing	SEWER RATE Existing	MINIMUM USE Existing	WATER MINIMUM Existing	SEWER MINIMUM Existing	TOTAL MINIMUM Existing
RESIDENTIAL	8.14	\$5.74	5 UNITS	\$40.70	\$28.70	\$69.40
MULTI-FAMILY	8.14	\$6.07	5 UNITS	\$40.70	\$30.35	\$71.05
RESTAURANTS	8.14	\$8.27	5 UNITS	\$40.70	\$41.35	\$82.05
COMMERCIAL/PUBLIC	8.14	\$7.74	5 UNITS	\$40.70	\$38.70	\$79.40
INDUSTRIAL/LAUNDRY	8.14	\$8.83	5 UNITS	\$40.70	\$44.15	\$84.85

ABCSD EXISTING MONTHLY RATE STRUCTURE Increased Commodity Charge 2014/15

Water Rate increase 10%

Sewer Rate Increase 25%

CLASS	WATER RATE proposed	SEWER RATE proposed	MINIMUM USE Existing	WATER MINIMUM Proposed	SEWER MINIMUM Proposed	TOTAL MINIMUM Proposed
RESIDENTIAL	8.95	7.18	5	\$ 44.75	\$35.90	\$80.65
MULTI-FAMILY	8.95	7.59	5	\$ 44.75	\$37.95	\$82.70
RESTAURANTS	8.95	10.34	5	\$ 44.75	\$51.70	\$96.45
COMMERCIAL/PUBLIC	8.95	9.68	5	\$ 44.75	\$48.40	\$93.15
INDUSTRIAL/LAUNDRY	8.95	11.04	5	\$ 44.75	\$55.20	\$99.95

ABCSD EXISTING MONTHLY RATE STRUCTURE Increased Commodity Charge 2015/16

Water Rate increase 10%

Sewer Rate Increase 25%

CLASS	WATER RATE proposed	SEWER RATE proposed	MINIMUM USE Existing	WATER MINIMUM Proposed	SEWER MINIMUM Proposed	TOTAL MINIMUM Proposed
RESIDENTIAL	\$9.85	\$8.98	5	\$49.25	\$44.90	\$94.15
MULTI-FAMILY	\$9.85	\$9.49	5	\$49.25	\$47.45	\$96.70
RESTAURANTS	\$9.85	\$12.93	5	\$49.25	\$64.65	\$113.90
COMMERCIAL/PUBLIC	\$9.85	\$12.10	5	\$49.25	\$60.50	\$109.75
INDUSTRIAL/LAUNDRY	\$9.85	\$13.80	5	\$49.25	\$69.00	\$118.25

ABCSD EXISTING MONTHLY RATE STRUCTURE Increased Commodity Charge 2016/17

Water Rate increase 10%

Sewer Rate Increase 25%

CLASS	WATER RATE proposed	SEWER RATE proposed	MINIMUM USE Existing	WATER MINIMUM Proposed	SEWER MINIMUM Proposed	TOTAL MINIMUM Proposed
RESIDENTIAL	\$10.84	\$11.23	5	\$54.20	\$56.15	\$110.35
MULTI-FAMILY	\$10.84	\$11.86	5	\$54.20	\$59.30	\$113.50
RESTAURANTS	\$10.84	\$16.16	5	\$54.20	\$80.80	\$135.00
COMMERCIAL/PUBLIC	\$10.84	\$15.13	5	\$54.20	\$75.65	\$129.85
INDUSTRIAL/LAUNDRY	\$10.84	\$17.25	5	\$54.20	\$86.25	\$140.45

ABCSD EXISTING MONTHLY RATE STRUCTURE Increased Commodity Charge 2017/18

Water Rate increase 10%

Sewer Rate Increase 25%

CLASS	WATER RATE proposed	SEWER RATE proposed	MINIMUM USE Existing	WATER MINIMUM Proposed	SEWER MINIMUM Proposed	TOTAL MINIMUM Proposed
RESIDENTIAL	\$11.92	\$14.04	5	\$59.60	\$70.20	\$129.80
MULTI-FAMILY	\$11.92	\$14.83	5	\$59.60	\$74.15	\$133.75
RESTAURANTS	\$11.92	\$20.20	5	\$59.60	\$101.00	\$160.60
COMMERCIAL/PUBLIC	\$11.92	\$18.91	5	\$59.60	\$94.55	\$154.15
INDUSTRIAL/LAUNDRY	\$11.92	\$21.56	5	\$59.60	\$107.80	\$167.40

ABCSD EXISTING MONTHLY RATE STRUCTURE Increased Commodity Charge 2018/19

Water Rate increase 10%

Sewer Rate Increase 25%

CLASS	WATER RATE proposed	SEWER RATE proposed	MINIMUM USE Existing	WATER MINIMUM Proposed	SEWER MINIMUM Proposed	TOTAL MINIMUM Proposed
RESIDENTIAL	\$13.11	\$17.55	5	\$65.55	\$87.75	\$153.30
MULTI-FAMILY	\$13.11	\$18.54	5	\$65.55	\$92.70	\$158.25
RESTAURANTS	\$13.11	\$25.25	5	\$65.55	\$126.25	\$191.80
COMMERCIAL/PUBLIC	\$13.11	\$23.64	5	\$65.55	\$118.20	\$183.75
INDUSTRIAL/LAUNDRY	\$13.11	\$26.95	5	\$65.55	\$134.75	\$200.30