

**NOTICE OF PUBLIC HEARING
INCLUDED IN REGULAR CSD MEETING
PROPOSED WATER RATE INCREASE AND REVISION**

**July 24, 2019 at 7:00pm
Muir Beach Community Services District
19 Seacape Drive
Muir Beach, CA 94965**

Notice is hereby given on June 10, 2019 that at the date, time, and place shown above, the Board of Directors of the Muir Beach Community Services District will include this topic as a public hearing item during its regular meeting to consider a proposed increase and revision to our community's water rates. The new rates are proposed to be effective July 16, 2019.

The District charges water rates to fund its costs for providing safe and reliable water service, including technical, managerial, financial, and operational costs, along with capital improvements, such as; repairing and drilling wells, replacing pumps, refurbishing or replacing tanks, replacing water lines and fire hydrants, upgrading and improving leak detection systems, replacing water meters, and continuing to update and modernize system technologies and efficiencies.

Background

The Muir Beach CSD has not increased water rates since 2010. Since then, utilities for water production and distribution costs have increased 32%, plus water management costs have increased 29%, but the Water District has made great strides to keep expenses at a minimum with water treatment expected to decrease by 15% as a percentage of overall operating costs, so total water operations and water management together are projected to have increased overall by 25% through fiscal year 2019-2020.

Need for Water Rate Increase and Revision to Rate Structure

The District completed a Water Service Cost Study in April and May 2019 which indicated the need for a water rate increase as well as revising the District's water service fee structure. According to the Water Service Cost Study, the MBCSD should increase the water rates to customers in order to comply with California State Law which states that Water Districts be fiscally responsible and financially solvent; meaning operating costs associated with delivering water to residents must be covered solely by rates charged for water consumed by each customer. Prop 218 requires that the MBCSD may only set water rates on costs currently attributable to the service provided or appropriately estimated for up to five years and does allow for the inclusion of debt to cover any short falls in revenues. Any future costs for capital improvements can be appropriately estimated in advance for planned infrastructure replacements or new improvements with future charges collected as the improvements are needed. Based on the Water service cost study, the Board elected to use the Example 6 – Base Rate Calculations Based on Infrastructure Meter Capacity Costs Plus Usage Calculated at Per Gallon Rate – as the most equitable rate model for the proposed water rate increase and water rate structure revision.

Proposed Water Rate Increase and Revision

The current Water Rate Proposal and Revision that was based on the Water Service Cost Study recommended that the Water operations for FY 2019/2020 would require an average 18% increase in water service revenues to meet current operating expenses, along with a 37% increase in capital infrastructure funding for future projects, for a total average 23% increase overall depending on actual usage level. At its last meeting the MBCSD Board approved having the proposed increase be a modestly lower percentage increase than that supported by the Water Service Cost Study, and is the proposed rate increase described in this notice.

Details of Proposed Water Rate Changes

Currently customers pay water bills based on a bi-monthly fixed service charge which includes a Base Rate for a fixed amount of usage per gallon and then a "volumetric" charge, or per gallon charge, for amounts consumed above the Base Rate in three successive rate tiers based on usage as shown below. The District is required by its Water Permit to have conservation incentives built into its water fee structure, and currently, that has taken the form of tiered rates.

Current District Bi-monthly water rates:

Tiers	Gallons	Charge
<i>Tier One</i>	0 to 4,500	\$ 49.92 Flat charge
<i>Tier Two</i>	4,500 to 10,000	\$ 0.92 per 100 gallons used, plus charge from prior tier
<i>Tier Three</i>	10,000 to 30,000	\$ 1.29 per 100 gallons used, plus charge from prior tier
<i>Tier Four</i>	30,000+	\$ 1.62 per 100 gallons used, plus charge from prior tier

All customers currently pay a \$300 per year fee (or \$50 per bi-monthly period) for Water Capital Improvements (our one commercial customer pays \$3,250 per year). Under the proposed rates, this fee will end.

The proposed new water rates include **1) a Meter Charge** based on a 5-year Capital Improvement Plan, that utilizes and conforms to the American Water Works Association (AWWA) standards for meter capacity rates, along with **2) Meter Reading** fee that includes the meter reading and customer billing costs per meter, and **3) a single per gallon Volumetric charge** for each gallon consumed based on operating expenses divided by average annual total water usage. All customers will be charged the same fee per gallon, and then a **Water Conservation Discount** will be given to customers based their success in conserving water, with larger discounts being given to those customers using less water. The proposed Meter Reading fee and the per gallon rate charges were developed using projected costs from the FY 2019-2020 Draft Budget¹.

Proposed District Bi-monthly water rates:

Tiers	Gallons	Charge
<i>Capacity</i>	0	\$ 7.90 Meter Reading
	0	\$ 70.83 Meter Charge (per 5/8"-1" meter size)
	0	\$ 354.15 Meter Charge (per 1.5" meter size, if applicable)
<i>Volumetric</i>	All gallons	\$ 2.00 per 100 gallons used

Note

1. Meter Charges are based on projected capital improvements.
2. Volumetric Charges are calculated per gallon; rate is shown per 100 gallons for clarity only.
3. No further fee will be charged for Water Capital Improvements.

Conservation and Efficiency Still Pays

Customers who have used water wisely and conserved have always paid lower water bills at Muir Beach than customers who don't conserve. The proposed new revised rate schedule will continue to strongly encourage conservation practices. Customers who use less than 4,500 gallons per bi-monthly billing period will receive a conservation discount of 50% (which is equal to \$1.00 per 100 gallons); customers who use 4,501 to 10,000 gallons per bi-monthly billing period will receive a conservation discount of 43% (which is equal to paying \$1.14 .per 100 gallons); and customers who use 10,001 to 30,000 gallons per bi-monthly billing period will receive a conservation discount 30% (which is equal to paying \$1.40 per 100 gallons). Those customers who use more than 30,001 gallons per bi-monthly billing period will receive no conservation discount (which will be equal to paying the full \$2.00 per 100 gallons).

Annual Water Rate Consumer Price (CPI) Increase

To avoid larger increases after several years of no increase the Board is proposing an annual increase for inflation commensurate with the annual percentage increase to the San Francisco-Oakland-San Jose Price Index for All Urban Consumers ("CPI") for the preceding calendar year (to be calculated each year using the month of April data of the current year).

¹ Based on FY 2018/2019 Actuals as incorporated into FY2019/2020 Draft-Budget.

Summary of Proposed Rate Increase

\$ per 100 Gallons: 2.00

<u>Conservation Discounts</u>		<u>Gallons</u>
T1	-50%	0 to 4,500
T2	-43%	4,501 to 10,000
T3	-30%	10,001 to 30,000
T4	0%	30,001+

<u>Existing Rates</u>	<u>Gallons</u>	<u>Bi-Mo \$</u>	
T1	4,500	\$ 99.92	(includes \$49.92 flat charge and \$50 WCI)
T2	7,250	\$ 125.22	
T3	20,000	\$ 279.52	
T4	75,000	\$ 1,137.52	
T4 - High Usage	180,000	\$ 2,838.52	

<u>Modified Rates</u>	<u>Gallons</u>	<u>Bi-Mo \$</u>	
T1	4,500	\$ 123.73	(includes \$78.73 flat charge)
T2	7,250	161.38	
T3	20,000	358.73	
T4	75,000	1,578.73	
T4 - High Usage	180,000	3,962.05	(includes \$362.05 flat charge (1.5" meter))

Comparison

	<u>% Increase</u>	Note: Last rate increase was 9 years ago in 2010
T1	23.8%	
T2	28.9%	
T3	28.3%	
T4	38.8%	
T4 - High Usage	39.6%	

For reference, having a 25% increase in current rates (at 7,250 gallon usage level, being the middle of Tier 2), and a 33% increase in WCI (\$300/year to \$400/year), results in a 28.3% combined increase.

Public Meeting and Hearing

The proposed rates above will be considered by the Muir Beach Community Services District as a public hearing item at its regular meeting on July 24, 2019 at 7:00pm. All residents and other interested persons are encouraged to submit written or oral comments at the hearing.

Written comment (or protest) from water customers or property owners may be submitted in writing and mailed to the District, or hand delivered to the District office during the 45-day comment period or brought to the public hearing. **The District must receive your signed, written comment or protest prior to the close of the public hearing on July 24, 2019.** Protests, if any, should indicate what you are protesting and include information identifying your parcel, by parcel number(s) for property(s) you own, and/or your street address(es). Multiple written comments can be submitted per parcel but only one protest per parcel will be counted. **Mail or deliver written protests to: Muir Beach CSD, 19 Seacape Drive, Muir Beach, CA 94965**

If written protests are filed by a majority of the affected customers, the proposed rate increase will not take place. For any questions, please call the MBCSD Community Center Office at 415-383-9969.

Please use the form below ONLY if you wish to submit a protest to this proposed rate increase. Otherwise, we look forward to having you attend the upcoming meeting and hearing.

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Water Rate Increase Protest Letter

I hereby protest the proposed water rate increase to be considered by Muir Beach Community Services District Board of Directors at the Public Hearing on July 24, 2019.

Reason(s) (optional):

Assessor Parcel Number (APN) of property served: _____

Street address of property served: _____

I declare that I am the owner, or tenant of parcel, of the above listed property.

Signature of property owner or tenant of parcel: _____

Print name of property owner or tenant of parcel: _____

Date: _____

Protest Procedures

1. Letter of protest must be mailed to the MBCSD and received, or hand delivered, prior to the conclusion of the Public Hearing on July 24, 2019.
2. Only one protest per parcel will be counted as valid.
3. Protest letters must be filled out in full.
4. All protest letters will become public documents once received.

Mailing Address: Muir Beach Community Services District
 19 Seacape Drive
 Muir Beach, CA 94965