

M E M O

TO: Board of Directors

FROM: District Manager

SUBJECT: PUBLIC HEARING; PROPOSED INCREASE IN WATER RATES

DATE: June 15, 2007

RECOMMENDATION:

It is recommended that the Board of Directors review this memo and conduct a public hearing relative to a proposed ten percent (10%) increase in water rates. Further, at the conclusion of the public hearing, absent a majority protest, it is recommended that the Board of Directors approve the attached resolution which establishes the District's new water service rates schedule effective July 1, 2007.

BACKGROUND:

At the April 5, 2007 Board of Directors Meeting, your Board directed staff to proceed with all applicable and required actions to increase the District's water service rate schedule by ten percent (10%) effective July 1, 2007. In order to amend the existing water service rate schedule the District is required to comply with the requirements of Proposition 218. Pursuant to the recent California Supreme Court decision the case of Bighorn-Desert View Water Agency v. Verjil, domestic water delivery through a pipeline is a "property-related" service within the meaning of Proposition 218.

At the February 15, 2007 Board of Directors Meeting your Board approved Resolution No. 18 (06-07) which established District procedures relative to Proposition 218 property related fees and charges. In compliance with Proposition 218, and the District's procedures, the following actions have been completed:

1. Information regarding the proposed ten percent (10%) increase to water service rates was mailed to every water service property owner in the San Lorenzo Valley Water District. See Attachment 1. Said information was mailed to all property owners on May 3, 2007.
2. A public hearing relative to the proposed increase to the Districts' water service rate was scheduled not less than forty-five (45) days after the mailing of the information.
3. All property owners were notified that they may object to the proposed increase in water service rates by filing a written protest with the District Secretary. At the time of this memorandum the District Secretary has received fifty-five (55) written protests. See Attachment 2.

The Board of Directors is required to conduct a public hearing and apply the following procedures relative to said hearing and the proposed ten percent (10%) increase to the water service rate schedule:

1. The President of the Board shall open the public hearing.
2. At the public hearing, the Board shall hear and consider all public testimony regarding the proposed increase to the water service rate schedule.
3. At the public hearing, the Board shall accept all written protests against the proposed increase to the water service rate schedule.
4. At the conclusion of the public testimony portion of the public hearing, the President of the Board shall close the public hearing.
5. The District Secretary shall tabulate all written protests received, including those received during the public hearing. The District Secretary shall provide the Board with a final tabulation of written protests.
6. Upon final tabulation of written protests, if written protests against the proposed increase to the water service schedule is presented by a majority of property owners, the Board shall not impose an increase to the water service rate schedule.
7. Absent a majority protest, the Board may approve the attached resolution which establishes the District's new water service rate schedule effective July 1, 2007.

The proposed ten percent (10%) increase to the water service rate schedule would increase estimated total annual revenue from approximately \$2,875,000/year to approximately \$3,180,000/year. This represents an increase of approximately \$305,000/year. Please note that the final digits for all Basic and Consumptive Charges are rounded to the nearest five hundredths. See Attachment 3. Should the proposed ten percent (10%) increase be approved, effective July 1, 2007, the District's bi-monthly Basic Water Service Charge and Consumptive Charges would be as follows:

Basic Water Service Charge

The minimum bi-monthly water service charge per meter is:

<u>Meter Size</u>	<u>Basic Water Service Rate</u>
5/8 – inch	\$35.75
3/4 – inch	\$35.75
1 – inch	\$59.60
1 ½ - inch	\$120.00
2 – inch	\$191.00
3 – inch	\$358.45
4 – inch	\$596.50

Consumptive Charges

The schedule of consumptive charges is based upon a measured unit quantity of 100 cubic feet (748 gallons) per unit. The unit Charge for delivered water is:

<u>Tier</u>	<u>Quantity</u>	<u>Consumptive Charge</u>
Tier 1	0-10 Units	\$1.95/Unit
Tier 2	11-40 Units	\$2.55/Unit
Tier 3	41-100 Units	\$3.05/Unit
Tier 4	101-200 Units	\$3.30/Unit
Tier 5	201 + Units	\$3.60/Unit

The District's average single family residential customer uses approximately twenty (20) billing units per bi-monthly period. One (1) billing unit equals 100 cubic feet or 748 gallons. Approximately seventy percent (70%) of all District water bills are for twenty (20) consumptive units or less. The impact of the proposed increase in water service rates on the average Districts customer is illustrated on Attachment 4. In addition, Attachment 4 also provides a comparison of District rates with the other water service providers in Santa Cruz County. The average customer (20 units bi-monthly) will experience an increase in their bi-monthly water bill from \$73.00 to 80.75. This represents an increase of \$7.75 per bi-monthly billing period or approximately \$46.50/year.

RECOMMENDATION:

It is recommended that the Board of Directors review this memo and conduct a public hearing relative to a proposed ten percent (10%) increase in water rates. Further, at the conclusion of the public hearing, absent a majority protest, it is recommended that the Board of Directors approve the attached resolution which establishes the Districts water service rates schedule effective July 1, 2007.

James A. Mueller
District Manager

JAM/bsb

RESOLUTION NO. (06-07)

SUBJECT: FIXING AND ADOPTING A WATER SERVICE RATE SCHEDULE

WHEREAS, pursuant to California Water Code Sections 31007 and 31101, the Board of Directors of the San Lorenzo Valley Water District is authorized to fix and direct collection of water service rates in an amount sufficient to meet the operating expenses of the District, to provide for repairs and depreciation of the works and facilities of the District, to meet financial reserves for bonded indebtedness, and to obtain funds for capital projects needed to maintain service within the District; and

WHEREAS, the Board of Directors has reviewed and considered the projected expenses and revenues of the Districts, and has found and determined that an increase in water service rate schedule is necessary; and

WHEREAS, in compliance with Proposition 218 and District procedures, the Board of Directors held a public hearing to hear and consider all public testimony and written protests against the proposed increase to the water service rate schedule; and

WHEREAS, said public hearing was held not less than forty-five (45) days after the District mailed information to property owners regarding the proposed increase to the water service rate schedule; and

WHEREAS, the District Secretary provided the Board of Director's with a final tabulation of all written protests received against the proposed increase to the water service rate schedule; and

WHEREAS, the final tabulation of protests against the proposed increase to the water service rate schedule did not constitute a "majority" protest; and

WHEREAS, the Board has considered the proposed increase in water rates as presented by the District Manager; and

WHEREAS, in accordance with Ordinance 8, water rates may be established by resolution;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the San Lorenzo Valley Water District as follows:

Section 1. R16.7(e) is hereby amended to read as follows:

R16.7(e) Water Service Charges

The following minimum bi-monthly basic water service charge and consumption (quantity) charges constitute the current water service charges:

1. Basic Water Service Charges

The minimum bi-monthly basic water service charge per meter shall be:

<u>Meter Size</u>	<u>Basic Water Service Rate</u>
5/8"	\$ 35.75
3/4"	35.75
1"	59.60
1 1/2"	120.00
2"	191.00
3"	358.45
4"	596.50

2. Consumptive Charges

The schedule of consumptive charges shall be based upon a measured unit quantity of 100 cubic feet (748 gallons) per unit. The unit charge for water delivered shall be:

<u>Tier</u>	<u>Quantity</u>	<u>Consumptive Chare</u>
Tier 1	0 - 10 Units	\$ 1.95/Unit
Tier 2	11 - 40 Units	2.55/Unit
Tier 3	41 - 100 Units	3.05/Unit
Tier 4	101 - 200	3.30/Unit
Tier 5	201 + Units	3.60/Unit

Section 2. R16.7(f) is hereby amended to read as follows

R16.7(f) Surplus Water

The schedule of charges for surplus water shall be a fixed charge in addition to a consumption charge for each unit of water delivered. The fixed charge shall be \$35.75 for each bi-monthly billing period during which any water is used. The consumption charge shall be in accordance with the consumption charges for regular metered service.

Section 3. The District Manager is directed to revise and collect rates and other water service charges pursuant to this resolution in a reasonable administrative manner proportional to the effective date of this resolution.

Section 4. This resolution shall supersede and cancel in their entirety the applicable prior sections relative to this matter.

Section 5. This resolution is effective immediately and implementation of the aforementioned Water Service Rate Schedule Modification shall become effective July 1, 2007.

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PASSED AND ADOPTED by the Board of Directors of the San Lorenzo Valley Water District, County of Santa Cruz, State of California, on the 21st day of June 2007, by the following vote of the members thereof:

AYES:
NOES:
ABSTAIN:
ABSENT:

District Secretary
San Lorenzo Valley Water District