

Rate Study and Prop 218 Process Frequently Asked Questions

Why is the District proposing a rate increase?

The San Lorenzo Valley Water District Board of Directors is considering an increase in rates to address impacts from the CZU Lightning Complex Fire, COVID, the destructive storms of winter 2022/2023 and increased costs to provide service for customers. The District depends on income from ratepayers for 85% of its total revenue. This revenue funds both ongoing operating costs and major infrastructure improvements (essential maintenance, critical upgrades, and storm/fire repairs and replacements). Expenses over the past decade have been increasing faster than inflation due to rising cost of operations and maintenance and state-mandated expenses beyond the District's control.

Why did the District conduct a rate study?

Pursuant to California Government Code, public water agencies must demonstrate a nexus between the cost of providing services and benefits received. Rates have to reflect the costs of providing water at each tier. At the direction of the Board, the rate study process began in Spring 2023. The goals of the study include determining the District's cost-of-service requirements, conducting a cost-of-service analysis, and creating rate models that show a clear connection between the District's costs and customer rates.

How would the potential rate increase affect my bill?

The District is proposing a rate increase spread over a 5-year period for water service.

The specific water rate increase for each customer would depend on their meter size, the amount of water used, and their user category (e.g., residential vs. industrial). Typical residential water customers would see their monthly bill increase by a few dollars in 2024, with a similar increase in each succeeding year through year 5. Residential water customers who use exceptionally large quantities of water would experience larger annual increases (possibly 20% or more).

What is the anticipated impact to a single family household?

A single-family household pays \$121 a month for water service, based on an average of 6 units (4,500 gallons) used in a month. Under the proposed increases, the household's monthly bill is expected to be \$124 in 2024, an increase of \$3. Rates will continue to increase annually through the 5-year period.

Is there financial assistance available?

Yes. Customers who need assistance to pay their water bills can apply for help through the District's Low-Income Rate Assistance Program. The Program currently provides eligible customers a \$15/month discount on their monthly bill. The Board will consider increasing this amount in 2024. [Details on how to apply can be found here.](#)

What would the rate increase pay for and how would it improve my water service?

The rate increase would generate \$3.4 million in revenue annually to support crucial infrastructure projects that provide safe, reliable, high-quality water service to District customers.

The District has a backlog of essential infrastructure improvements. Current Capital Improvement Projects underway are already improving service for customers by improving the flow of water and replacing outdated infrastructure. Future projects funded by customers would continue to update aging and fire-damaged infrastructure.

The District's projects are funded in part by a mix of previous loans, FEMA reimbursements, the special CZU Fire Surcharge, and grants secured by the District. However, an additional loan of \$19 million is needed to adequately cover all costs associated with these projects. The proposed rate increase would in part help cover costs related to such a loan. Funds also could support the installation of smart water meters that allow customers to track their usage and watershed stewardship, including salmon habitat improvements.

Will wastewater rates go up?

The only impacted wastewater customers are those 56 single-family homes the District serves in Bear Creek Estates. The proposed change in rates is the same as the required revenue adjustment, equating to a 3% annual increase in FY 2024 and 2025 and 4% annually each year thereafter.

Will funds from the proposed rate increase be used to acquire or help Big Basin Water Company?

No. The District is a public agency, funded primarily by rates paid by its customers. The District is not a "for-profit" private company and does not have the ability to use existing customer rates to purchase neighboring private water districts.

When would the new rates go into effect?

If the proposed rates are approved by the Board on February 15, 2024, they would go into effect on March 1, 2024.

How did the District decide a rate increase should be considered?

Informed by a recently completed rate study and feedback from ratepayers, the rate increase under consideration would fund disaster repairs and continued improvements to water supply infrastructure, such as pipes, pumps and tanks, as well as increased capacity to aid future firefighting efforts.

Who makes the final decision about the potential rate increase?

If the Board decides to move forward with a rate increase, it will conduct a 45-day public comment and protest period that will follow the provisions of Proposition 218, including holding a public meeting. Pending actions taken at the public hearing, the Board will vote on the potential rate increase.

Web: How long will this rate increase be in effect?

The District is proposing to phase in water rate increases over the next five years as shown in the table below. The rate increase will be effective as of March 1, 2024.

What is the District doing to keep rates as low as possible?

District staff and the Board of Directors have focused in recent years on decreasing operating expenses and increasing non-rate revenue sources wherever possible. The District hired a consultant in 2022 to assist with grant writing, and this investment has paid off many times over. The District has also pursued new avenues for collecting money owed by delinquent account holders.

The District has reduced front-office costs through automated billing. It has reduced construction spending by expanding its engineering department, enabling it to perform some work more cost-effectively in-house. The total amount spent on staff salaries also decreased due to retirements and departures of senior personnel.

In addition, the District has created cost-savings by eliminating education programs, training programs, travel to meetings, subscriptions and non-operational costs. Lastly, some of the District's pending infrastructure improvements will eventually translate into savings by reducing water loss due to leakage and enabling a shift to lower-cost time-of-use power rates.

Will the proposed rate increase fund the District's operational costs?

Yes. Operational costs for the District have risen 24% between 2017 and 2023. Cost increases include the higher electricity/gas rates from PG&E and increases to the price of materials needed to maintain District facilities.

FEMA provided funds after the CZU Fire and the 2023 storms. Why does the District need more money for disaster-related repairs?

The District was severely impacted by the CZU Fire in 2020. A list of fire recovery projects has been submitted to the Federal Emergency Management Agency (FEMA) as part of a request for assistance. The District's total estimated cost for recovery projects is over \$20 million.

The District is responsible for paying all of these costs up front. Following project completion, reimbursement requests are submitted to FEMA. The District anticipates receiving at least 75% FEMA reimbursement of eligible costs.

What capital improvements have been completed recently?

Recently completed projects include

- [Blue Ridge Tank](#)
- [Redwood Park Pipeline Replacement](#)
- [Glenn Arbor Bridge Pipeline Replacement](#)
- [Quail Hollow Pipeline Replacement](#)

Additional projects are underway or in the planning stages, including five tank replacement projects, water meter infrastructure upgrades, and thousands of linear feet of water main line replacement. [Learn more \(link to project website\).](#)

Do the planned mergers with Forest Springs and Bracken Brae impact the rate increase?

Two small mutual water companies, Forest Springs and Bracken Brae, are being consolidated and will merge with the District, adding about 400 customers. The system upgrades needed to support this consolidation, which started after the CZU Fire, have been supported by state and federal grant funds. The District is not a "for-profit" private company and does not have the ability to use existing customer rates to purchase neighboring private water districts. When Forest Springs and Bracken Brae residents

become District customers, they will pay the same water rates as existing District customers.

The District implemented a Fire Recovery Surcharge in 2021. Will customers have to keep paying the surcharge if the proposed rate increase is approved?

The Fire Recovery Surcharge is an operating revenue that is being maintained in a restricted fund or account from which CZU Fire expenses can be paid. The overall surcharge is intended to collect \$5 million over a 5-year period (ending FY 2025-26), or sooner if the related expenses are below \$5 million.

What happens if the proposed rate increase is rejected?

The District will struggle to fund crucial infrastructure projects that provide safe, reliable, high-quality water service to District customers. Projects may be postponed or not occur at all.