

Draft: Fitch Mountain Water District – Potential Options

Reason for Proposed Increase: Water system rates for the Fitch Mountain Water District have not been adjusted since Fiscal Year 08-09 and the district has been operating in a deficit mode for several years. Revenue from the sale of water to customers has failed to cover the increased costs of operating and maintaining the district, which has required the use of reserve funds. This practice is not sustainable, and revenues must be increased to ensure that there are sufficient funds to cover all of the District’s expenses and provide a reasonable reserve fund to cover any emergency costs. It is estimated that a minimum 34% increase is required to maintain a positive reserve fund.

Rate Structure: The monthly water rate is made up of two components: the Base Rate component and the Water Usage Rate. The Base Rate applies to all customers and is dependent on the size of the installed water meter, while the Water Usage Rate applies to each customer on a per 1,000 gallons of use in a three-tiered rate structure. The current average use in the district is 4742 gallons per month. The current average monthly water bill is \$60.00 per residence. The options below include a blended increase to both the Base Rate and the Water Usage Rate, to more equitably distribute the costs of operating and maintaining the district amongst both full-time and part-time residents.

Maintenance & Operations: The County would also like to initiate discussions with the City of Healdsburg for a possible Maintenance and Operations Agreement starting in Fiscal Year 12/13. The County believes the City may be able to deliver maintenance and operation services at a lesser rate compared to the current County costs.

Option 1 One Time 34% Rate Increase

Fiscal Year	2011 / 2012	2012 / 2013	2013 / 2014
Percent Increase	34%	0%	0%
Avg Monthly Bill	\$80.95	\$81.76	\$82.57
Reserves (Fund Balance)	\$59,191.62	\$50,851.32	\$49,174.15

Option 2 Three Year Staggered 34% Rate Increase

Fiscal Year	2011 / 2012	2012 / 2013	2013 / 2014
Percent Increase	15%	15%	4%
Avg Monthly Bill	\$69.55	\$80.68	\$84.72
Reserves (Fund Balance)	\$17,085.06	\$4,417.25	\$11,381.80

Option 3 One Time 10% Increase; Return with Additional Rate Increase for FY 2012/2013

Fiscal Year	2011 / 2012	2012 / 2013	2013 / 2014
Percent Increase	10%	0%	0%
Avg Monthly Bill	\$65.96	\$66.62	\$67.28
Reserves (Fund Balance)	\$ 3,788.25	\$ (68,255.86)	\$ (136,933.23)

Option 4 No Rate Increase. District will have a negative reserve fund beginning in FY 2011/2012.

Fiscal Year	2011 / 2012	2012 / 2013	2013 / 2014
Percent Increase	0%	0%	0%
Avg Monthly Bill	\$60.56	\$61.56	\$61.75
Reserves (Fund Balance)	\$ (70,029.62)	\$ (70,516.14)	\$ (62,103.69)

- Notes:
1. Current ordinance in place allow for annual increases based on the Consumer Price Index (CPI). Each of the scenarios above assumes a CPI increase in each year at 1%.
 2. To comply with government regulations, every other fiscal year a financial audit of the system is required. The audit costs the system approximately \$15,000.00 each year that it is required.