

**NOTICE TO ALL PROPERTY OWNERS OF THE
CSA #41 FITCH MOUNTAIN WATER DISTRICT**

**PROPOSAL TO INCREASE WATER RATES AND
PUBLIC HEARING ON THE PROPOSED RATE INCREASE**

NOTICE IS HEREBY GIVEN that the County of Sonoma Board of Supervisors will hold a public hearing at the following date, time, and location to consider a proposed increase in the water rates charged to the customers of the Fitch Mountain Water District and to receive protests against the proposal.

Date: July 12, 2011
Time: 10:00 a.m.
Location: Board of Supervisors Chambers
575 Administration Drive, Room 102A
Santa Rosa, California, 95403

At the hearing, all interested persons will be entitled to address the Board of Supervisors concerning the proposed rate increase.

Procedure to Protest the Proposed Water Rate Increases. Under Proposition 218, if you are the owner of record for a parcel or a tenant directly liable for payment of fees subject to the proposed rate increases, you may submit a *written* protest regarding the proposed rate increases. In order to be considered, *written* protests must be submitted in the following manner: 1) *written* protests must be *actually received (not postmarked)* by the Department of Transportation and Public Works, Attention: CSA #41 Fitch Mountain Protest, 2300 County Center Drive, Suite B100, Santa Rosa, California, 95403, by 5:00 p.m. on July 11, 2011; or 2) *written* protests will be accepted if *hand delivered* to the Clerk of the Board *prior to the close of the public hearing on July 12, 2011.*

Written protests received after the close of the hearing will not be considered in determining whether a majority protest has been established. If written protests against the proposed rate increase are presented before the close of the hearing by a majority of owners of parcels affected, the Board of Supervisors will not approve the proposed rate increase.

The following additional information regarding the nature of the proposed rate increase is provided in accordance with Proposition 218 (Section 6 of Article XIII D of the California Constitution).

1. ***Background.*** At the present time, the monthly water rate is made up of two components: the Base Rate component and the Water Usage component. The Base Rate applies to all customers and is dependent on the size of the installed water meter; the Water Usage applies to each customer on a per 1,000 gallons use in a three-tiered rate structure.

2. ***Proposed Increases.*** The proposed rate increase would result in an increase of the current Base Rate component and the current Water Usage rates (per 1,000 gallons) component by fifteen percent (15%). The following table shows the current and proposed rates, and if approved, would become effective thirty (30) days after approval by the Board of Supervisors.

<u>CSA No. 41, Fitch Mountain</u>	Current Rates	Proposed Rates	Rate \$ Change	Rate % Change
Base Rate (meter charge)				
5/8" meter	\$33.50	\$38.53	\$5.03	15%
1" meter	\$35.18	\$40.45	\$5.28	15%
1-1/2" meter	\$36.81	\$42.33	\$5.52	15%
2" meter	\$38.47	\$44.24	\$5.77	15%
Water Usage (per 1,000 gallons)				
1-15,000 gal/ESD	\$5.64	\$6.49	\$0.85	15%
15-20,000 gal/ESD	\$7.56	\$8.69	\$1.13	15%
>20,000 gal/ESD	\$12.59	\$14.48	\$1.89	15%
<i>Note: Rates do not include the annual inflationary increase authorized by the current Ordinance. The CPI has not yet been published by the Bureau of Labor Statistics as of the preparation of this notice</i>				

Subsequent increases proposed are an additional fifteen percent (15%) effective July 1, 2012, and an additional four percent (4%) increase effective July 1, 2013. The following charts provide the estimated rates for subsequent fiscal years which do not include the automatic annual inflationary increases as described in Section 3 below.

<u>CSA No. 41, Fitch Mountain</u>	FY 11-12 Rates	Proposed Rates (effective July 1, 2012)	Rate \$ Change	Rate % Change
Base Rate (meter charge)				
5/8" meter	\$38.53	\$44.30	\$5.78	15%
1" meter	\$40.45	\$46.53	\$6.07	15%
1-1/2" meter	\$42.33	\$48.68	\$6.35	15%
2" meter	\$44.24	\$50.88	\$6.64	15%
Water Usage (per 1,000 gallons)				
1-15,000 gal/ESD	\$6.49	\$7.46	\$0.97	15%
15-20,000 gal/ESD	\$8.69	\$10.00	\$1.30	15%
>20,000 gal/ESD	\$14.48	\$16.65	\$2.17	15%
<i>Note: Rates do not include the annual inflationary increase authorized by the current Ordinance. The CPI has not yet been published by the Bureau of Labor Statistics as of the preparation of this notice.</i>				

<u>CSA No. 41, Fitch Mountain</u>	FY 12-13 Rates	Proposed Rates (effective July 1, 2013)	Rate \$ Change	Rate % Change
Base Rate (meter charge)				
5/8" meter	\$44.30	\$46.08	\$1.77	4%
1" meter	\$46.53	\$48.39	\$1.86	4%
1-1/2" meter	\$48.68	\$50.63	\$1.95	4%
2" meter	\$50.88	\$52.91	\$2.04	4%
Water Usage (per 1,000 gallons)				
1-15,000 gal/ESD	\$7.46	\$7.76	\$0.30	4%
15-20,000 gal/ESD	\$10.00	\$10.40	\$0.40	4%
>20,000 gal/ESD	\$16.65	\$17.32	\$0.67	4%
<i>Note: Rates do not include the annual inflationary increase authorized by the current Ordinance. The CPI has not yet been published by the Bureau of Labor Statistics as of the preparation of this notice.</i>				

3. **Proposed Future Automatic Annual Inflationary Increases.** Effective July 1 of each year, the proposed water rates would be increased by an amount equal to the percentage increase, if any, in the Bureau of Labor Statistics consumer price index for all urban consumers (CPI-U), Series CUUR0000SA0, between April of the then-current year and April of the then-previous year. In no event shall the increase in any particular year exceed five percent (5%).

4. **Basis for Calculation of Rates.** As required by California Water Code, Section 31007, the proposed Fitch Mountain Water District rates are fixed so as to yield sufficient revenue to pay the operating expenses of the Fitch Mountain Water District, to provide for repairs and depreciation of water works owned and operated by the Fitch Mountain Water District, and to pay the interest and principal on Fitch Mountain Water District debt. The Fitch Mountain Water District's 2010-2011 budget sets out all of the Fitch Mountain Water District's estimated costs. The Base Rate component spreads the Fitch Mountain Water District's fixed costs (those costs that are not dependent on water usage, such as the administration of the Fitch Mountain Water District, fiscal accounting and audit services, and depreciation) to all customers based on meter size and without regard to water usage. The Board of Supervisors deems this to be a fair and equitable manner to spread these costs because the Fitch Mountain Water District's customers benefit equally from the continuous availability of the water system. The Water Usage Rate component spreads the Fitch Mountain Water District's variable costs (those costs that are dependent on the amount of water used, such as operation and maintenance of the system) to customers based on a three-tiered system of water usage.

5. ***Reason for Imposing Rates.*** Water system rates for the Fitch Mountain Water District have not been adjusted since Fiscal Year 2008-2009. The reason for the increase to fees is to continue providing water service to your property in compliance with state requirements while meeting rising costs for operating and maintaining the system which include providing for repairs and depreciation of the water system, unforeseen emergencies, and other lawful obligations and expenses of the Fitch Mountain Water District. The following additional details are provided:

a. Increase to the base rate: This component is an increase to each of the different meter charges. This rate is charged to each property owner based on the size meter located at the property. Based rate revenues are currently not sufficient to provide for fixed costs such as administration, fiscal accounting and audit services, and depreciation.

b. Increase to the Water Usage Rates: This component is an increase to each tier of the Water Usage component (per 1,000 gallons). The Fitch Mountain Water District has, for several years, been operating in a deficit mode. Revenues from the sale of water to customers do not cover the increased costs for laboratory services, engineering services, and utilities requiring the use of reserves and reducing the overall fund balance (i.e., reserves) for the Fitch Mountain Water District. This practice is not sustainable requiring water usage rates to be increased to ensure that there are sufficient revenues to cover all expenses that the Fitch Mountain Water District incurs and provide a reasonable level of additional funds to cover unanticipated and emergency expenses.

c. Multi-Year Increases to Base Rate and Water Usage Rates: A multi-year rate increase was recommended at the community meeting held on May 3, 2011. Property owners who attended were able to ask questions about the current fiscal status of the Fitch Mountain Water District. At the end of the meeting, property owners were asked to select from the presented options for increasing rates. Property owners agreed with the implementation of a multi-year increase instead of incurring the total requested rate increase in one year.

d. Annual Inflationary Increases: Revenues from the sale of water to customers do not cover the annual inflationary increases for maintenance requiring the use of reserves and reducing the overall fund balance for the Fitch Mountain Water District. The Bureau of Labor Statistics index currently used for annual inflationary increases has been historically lower than the Bureau of Labor Statistics index used for annual inflationary increases to the maintenance agreement. This practice is not sustainable requiring the Ordinance to be amended to ensure that the annual inflationary index used is consistent to provide sufficient funds to cover all maintenance expenses.

e. Reduction of Fees for Fire Prevention: According to the public education information available from the local fire district, there are several steps that are necessary for residents to maintain proper fire breaks around their property that do not require the use of limited water resources. Revenues from the sale of water to customers do not cover the reduction of fees for fire prevention requiring the use of reserves and reducing the overall fund balance for the Fitch Mountain Water District. This practice is not sustainable. It is necessary to amend the ordinance to delete the provisions regarding reduced rates for fire prevention, thereby requiring all water usage to be charged according to the three-tiered water usage charge.

f. Lifeline Charges: It is necessary to remove this language because it does not conform to the provisions of Proposition 218 (Section 6 of Article XIII D of the California Constitution). No customers in the Fitch Mountain Water District will be affected by this change.

6. **Additional Information.** Community members of the Fitch Mountain Water District were provided an opportunity to ask questions about the current budget that necessitates the increase to proposed rates at an informational meeting held on May 3, 2011. Copies of the proposed ordinance increasing the water system rates will be filed with and available for review approximately one week before the public hearing at the Department of Transportation and Public Works, 2300 County Center Drive, Suite B100, Santa Rosa, California, 95403. Additional questions can be addressed to Donna Caldwell at the address listed above.

Dated: May 24, 2011

COUNTY OF SONOMA
DEPARTMENT OF TRANSPORTATION AND PUBLIC WORKS

By: _____
Thomas F. O'kane
Deputy Director