



**RESOURCE MANAGEMENT  
AGENCY  
COUNTY OF TULARE  
AGENDA ITEM**

**BOARD OF SUPERVISORS**

KUYLER CROCKER  
District One

PETE VANDER POEL  
District Two

AMY SHUKLIAN  
District Three

EDDIE VALERO  
District Four

DENNIS TOWNSEND  
District Five

**AGENDA DATE:** July 30, 2019

Public Hearing Required	Yes	<input checked="" type="checkbox"/>	N/A	<input type="checkbox"/>
Scheduled Public Hearing w/Clerk	Yes	<input checked="" type="checkbox"/>	N/A	<input type="checkbox"/>
Published Notice Required	Yes	<input checked="" type="checkbox"/>	N/A	<input type="checkbox"/>
Advertised Published Notice	Yes	<input checked="" type="checkbox"/>	N/A	<input type="checkbox"/>
Meet & Confer Required	Yes	<input type="checkbox"/>	N/A	<input checked="" type="checkbox"/>
Electronic file(s) has been sent	Yes	<input checked="" type="checkbox"/>	N/A	<input type="checkbox"/>
Budget Transfer (Aud 308) attached	Yes	<input type="checkbox"/>	N/A	<input checked="" type="checkbox"/>
Personnel Resolution attached	Yes	<input type="checkbox"/>	N/A	<input checked="" type="checkbox"/>
Agreements are attached and signature line for Chairman is marked with tab(s)/flag(s)	Yes	<input type="checkbox"/>	N/A	<input checked="" type="checkbox"/>

CONTACT PERSON: Celeste Perez PHONE: (559) 624-7010

**SUBJECT:** Water Service Fee Adjustment for Yettem Water System in CSA #1 and for the Seville Water System under Court-Appointed Receivership

**REQUEST(S):**  
That the Board of Supervisors:

On July 30, 2019

1. Set a public hearing for the consideration of water service fee adjustments for the Yettem Zone of Benefit Water System in County Service Area #1 and the Seville Water System for which the County is the court-appointed receiver.

On August 20, 2019

1. Hold a public hearing for the consideration of water service fee adjustments for the Yettem Zone of Benefit Water System in County Service Area #1 and the Seville Water System for which the County is the court-appointed receiver and determine the official number of written protests received on proposed water service fee adjustments as shown in Exhibit A effective September 1, 2019; and
2. Close the Public Hearing and, if the number of valid protests is below 50% of the number of property owners, adopt the proposed service fee adjustments as shown in Exhibit A effective September 2019.

**SUBJECT:** Water Service Fee Adjustment for Yettem Water System in CSA #1 and for the Seville Water System under Court-Appointed Receivership

**DATE:** July 30, 2019

**SUMMARY:**

The Yettem Water Zone of Benefit in County Service Area #1 is owned by the County and the operation and maintenance is managed by the Resource Management Agency (RMA). The Seville Water System has been under the receivership of Tulare County acting for the Seville Water Company since June 11, 2009, which was most recently renewed through June 30, 2021 under an updated Court Order dated June 17, 2019 and previously approved under Resolution 2019-0465. The RMA operates and maintains the Seville Water System for the County.

The County is also the lead agency on the Seville and Yettem Water System Improvement Project (the "Project"), which is primarily broken into two phases. Phase 1 of the Project is to design and construct a new community based municipal storage tank, water distribution system, and appurtenances in the community of Seville. The new municipal system will replace the existing distribution system, which has excessive leaks and requires the community be in a continuous "boil water" status. Phase 2 of the Project consists of a new well, an interconnection pipeline between the water systems in Yettem and Seville, and water meters in Yettem. Phase 1 is currently under construction and is expected to be completed by the end of 2019. Phase 1 is funded by a grant from the State Water Resources Control Board ("Water Board").

The County submitted an application to the Tulare County Local Area Formation Commission (LAFCo) to create the Community Services District in the communities of Yettem and Seville. The Local Agency Formation Commission has conditionally approved the Yettem-Seville Community Services District (YSCSD) formation subject to various terms and conditions. The residents of Seville and Yettem voted in November 2018 to form the YSCSD to own and operate the water systems in the two communities. Once the construction of Phase 1 of the Project is completed, the County shall transfer the assets from the County to the CSD for the operation and maintenance of the water systems in the communities of Yettem and Seville.

As a condition on the formation, LAFCo required that the rates for the systems be raised before November 5, 2019 to make the YSCSD financially sustainable. Further, a condition of the Phase 1 construction grant from the "Water Board" required that the Seville system adopt a metered rate within a year of the completion of the Phase 1 construction.

Rural Community Assistance Corporation (RCAC) conducted a rate study for the communities. Multiple options were developed in the Seville Water Company and Yettem Combined CSD Water Analysis. The rate study included several outreach meetings and surveys in the communities of Yettem and Seville to seek community input to help determine preference between fixed and variable rate charges. The analysis included an evaluation of the projected water service rates for the communities under the YSCSD, considering operating revenues, operation and maintenance expenses, debt service, reserve requirements, availability of grants for future capital improvements, and other related costs.

**SUBJECT:** Water Service Fee Adjustment for Yettem Water System in CSA #1 and for the Seville Water System under Court-Appointed Receivership

**DATE:** July 30, 2019

**Current Rate**

The last rate adjustment for water services in Yettem occurred in 2012. The water service rates in Seville was established by the Court Order at the time the County assumed receivership of the water system in Seville in 2009. The current rate for the Yettem and Seville Water Systems are as follows:

Current Rates for Yettem and Seville	
Type of Connection	Rate (monthly)
<b>Seville:</b>	
Single Family Dwelling	\$ 60.00
<b>Yettem:</b>	
Single Family Dwelling	\$ 56.00
School	\$ 63.50
Vacancy	\$ 8.50
Standby	\$ 8.50

**Proposed Rate Adjustments**

The rate study, considering costs and responses from the community survey, recommends the following monthly rates as described below, to be increased each fiscal year on July 1.

**Flat rate**

A flat rate shall be established for those connections that do not have meters, to begin September 2019, as shown in the table below:

Flat Rate (per Month)					
	FY 2019	FY 2020 2.5% Increase	FY 2021 2.5% Increase	FY 2022 2.5% Increase	FY 2023 2.5% Increase
Single Family Dwelling	\$ 75.05	\$ 76.90	\$ 78.85	\$ 80.80	\$ 82.80
School	\$ 79.40	\$ 81.40	\$ 83.45	\$ 85.50	\$ 87.65
Vacancy	\$ 10.65	\$ 10.90	\$ 11.15	\$ 11.45	\$ 11.75

**Metered rate**

Meters will be installed for customers in Seville as part of Phase 1 of the Project. Phase 2 of the Project will include meters for customers in Yettem and for any new customers added to the system as part of this phase. Customers will be transitioned to the metered rate one month after the notice of completion is issued for the relevant phase of the project. This one-month delay is to collect data, locate potential leaks for customers, and provide customers with an estimate of their bill under the metered rate which will then be effective the following month.

The metered rate will include a usage fee, to cover variable costs associated with water supply and distribution, and a base fee to cover other fixed system costs as shown in the following table:

**SUBJECT:** Water Service Fee Adjustment for Yetterm Water System in CSA #1 and for the Seville Water System under Court-Appointed Receivership

**DATE:** July 30, 2019

Base Fee (per Month)					
	FY 2019	FY 2019 3.5% Increase	FY 2020 3.5% Increase	FY 2021 3.5% Increase	FY 2022 3.5% Increase
Single Family Dwelling	\$ 48.50	\$ 50.20	\$ 51.95	\$ 53.75	\$ 55.65
School	\$ 51.30	\$ 53.10	\$ 54.95	\$ 56.90	\$ 58.90
Commercial 2" Meter	\$ 145.50	\$ 150.60	\$ 155.85	\$ 161.30	\$ 166.95

There will be a usage rate of \$1.50 per 1,000 gallons of water and will not change through the proposed period.

Both rates include an annual increase to account for inflation. The base fee for the metered rate includes a 3.5% annual increase to reflect an increase in fixed system costs due to inflation while increases in variable system costs will be covered by the usage fee. The flat rate includes an annual increase of 2.5%, which assumes an inflation increase in a portion of the total fee reflecting fixed costs while assuming water usage remains stable and, therefore, variable costs are stable during the period.

The proposed rates satisfy the Water Board's grant condition that metered rates be implemented in Seville and would satisfy any similar requirement that may be part of the funding agreement for Phase 2 of the Project. Furthermore, the proposed rates will fulfill the relevant LAFCo condition regarding financial sustainability of the YSCSD.

The proposed rates were endorsed by the YSCSD's Board in their Resolution 19-001. The rates were also reviewed and approved by Water Board staff as required under condition 5 of the Seville Receivership Order.

### **Proposition 218**

Under Proposition 218 (in Article XIII of the California Constitution), public entities must give property owners a 45-day notice period for proposed changes to property related fees, such as water service, prior to holding a public hearing to consider the fee adjustments. The notice must advise property owners of their right to protest. Such fees may only be increased if a majority of the affected property owners do not submit a written protest at or prior to the hearing.

RMA staff mailed a copy of the Notice of Public Hearing on Proposed Water Rate Adjustments for the Yetterm Water System and the Seville Water System (the "Notice", a copy of which is attached hereto as Attachment A, to all record owners of property in the communities of Yetterm and Seville who would be affected by the rate change on July 3, 2019. In addition, a copy of the Notice was also sent to the billing addresses for all customers of these two systems where they are different than the record owner. In accordance with the County Ordinance # 3016 as amended pertaining to water fee adjustments, staff scheduled to be published a notice advising of the hearing in the Sun-Gazette on July 31 and August 7, 2019.

**SUBJECT:** Water Service Fee Adjustment for Yettem Water System in CSA #1 and for the Seville Water System under Court-Appointed Receivership

**DATE:** July 30, 2019

The published notice advised of the subject, the date and time of the hearing, and provided a link to the full notice online. The full notice was distributed and posted online in both English and Spanish.

**FISCAL IMPACT/FINANCING:**

The new rates will generate approximately \$136,293 per year for the two systems based upon the rate study by RCAC, which is approximately \$11,358 per month. Current annual income for the two systems is approximately \$102,816, so this represent an approximately 32% increase in income between the systems. As the County expects the YSCSD to begin operations in late 2019 or early 2020, the County will only receive this income of approximately \$11,358 for a few months.

These systems currently operate at a deficit for the County, and the general fund has provided significant fiscal operations support in past years.

The proposed rates represent the amount necessary for the systems to be self-sustaining in accordance with the RCAC rate study and to comply with the YSCSD formation conditions per LAFCo.

**LINKAGE TO THE COUNTY OF TULARE STRATEGIC BUSINESS PLAN:**

County's five-year strategic plan includes a Quality of Life initiative to provide an adequate and safe water supply.

**ADMINISTRATIVE SIGN-OFF:**



Reed Schenke  
Director – Resource Management Agency

cc: County Administrative Office

Attachment(s) Attachment A –Notice of Public Hearing  
Attachment B – Seville Water Company and Yettem Combined CSD Water Analysis  
Attachment C – Commercial Base Rate – Addendum to the Seville Water Company and Yettem Combined CSD Water Rate Analysis

**BEFORE THE BOARD OF SUPERVISORS  
COUNTY OF TULARE, STATE OF CALIFORNIA**

IN THE MATTER OF WATER SERVICE )  
FEE ADJUSTMENT FOR YETTEM WATER ) Resolution No. \_\_\_\_\_  
SYSTEM IN CSA #1 AND FOR THE )  
SEVILLE WATER SYSTEM UNDER )  
COURT-APPOINTED RECEIVERSHIP )

UPON MOTION OF SUPERVISOR \_\_\_\_\_, SECONDED BY  
SUPERVISOR \_\_\_\_\_, THE FOLLOWING WAS ADOPTED BY THE  
BOARD OF SUPERVISORS, AT AN OFFICIAL MEETING HELD July 30, 2019, BY  
THE FOLLOWING VOTE:

AYES:  
NOES:  
ABSTAIN:  
ABSENT:

ATTEST: JASON T. BRITT  
COUNTY ADMINISTRATIVE OFFICER/  
CLERK, BOARD OF SUPERVISORS

BY: \_\_\_\_\_  
Deputy Clerk

\* \* \* \* \*

1. Set a public hearing for the consideration of water service fee adjustments for the Yettem Zone of Benefit Water System in County Service Area #1 and the Seville Water System for which the County is the court-appointed receiver.

**BEFORE THE BOARD OF SUPERVISORS  
COUNTY OF TULARE, STATE OF CALIFORNIA**

IN THE MATTER OF WATER SERVICE )  
FEE ADJUSTMENT FOR YETTEM WATER ) Resolution No. \_\_\_\_\_  
SYSTEM IN CSA #1 AND FOR THE )  
SEVILLE WATER SYSTEM UNDER )  
COURT-APPOINTED RECEIVERSHIP )

UPON MOTION OF SUPERVISOR \_\_\_\_\_, SECONDED BY  
SUPERVISOR \_\_\_\_\_, THE FOLLOWING WAS ADOPTED BY THE  
BOARD OF SUPERVISORS, AT AN OFFICIAL MEETING HELD August 20, 2019, BY  
THE FOLLOWING VOTE:

AYES:  
NOES:  
ABSTAIN:  
ABSENT:

ATTEST: JASON T. BRITT  
COUNTY ADMINISTRATIVE OFFICER/  
CLERK, BOARD OF SUPERVISORS

BY: \_\_\_\_\_  
Deputy Clerk

\* \* \* \* \*

1. Held a public hearing for the consideration of water service fee adjustments for the Yettem Zone of Benefit Water System in County Service Area #1 and the Seville Water System for which the County is the court-appointed receiver and determine the official number of written protests received on proposed water service fee adjustments as shown in Exhibit A; and
2. Closed the Public Hearing and, the number of valid protests is below 50% of the number of property owners, adopted the proposed service fee adjustments as shown in Exhibit A effective September 2019.

## Exhibit A

The following rates shall take effect on September 1, 2019:

### Flat Rates

Flat Rate Increase in Future Years					
	FY 2019	FY 2020 2.5% Increase	FY 2021 2.5% Increase	FY 2022 2.5% Increase	FY 2023 2.5% Increase
Single Family Dwelling	\$ 75.05	\$ 76.90	\$ 78.85	\$ 80.80	\$ 82.80
School	\$ 79.40	\$ 81.40	\$ 83.45	\$ 85.50	\$ 87.65
Vacancy	\$ 10.65	\$ 10.90	\$ 11.15	\$ 11.45	\$ 11.75

The schedule of rate increases shall begin at the start of each Fiscal Year. Fiscal year begins on July 1<sup>st</sup> and ends June 30<sup>th</sup> each year.

Flat rates shall be in effect for all customers until such time as described below.

### Metered Rates

Base Fee Increase in Future Years					
	FY 2019	FY 2019 3.5% Increase	FY 2020 3.5% Increase	FY 2021 3.5% Increase	FY 2022 3.5% Increase
Single Family Dwelling	\$ 48.50	\$ 50.20	\$ 51.95	\$ 53.75	\$ 55.65
School	\$ 51.30	\$ 53.10	\$ 54.95	\$ 56.90	\$ 58.90
Commercial 2" Meter	\$ 145.50	\$ 150.60	\$ 155.85	\$ 161.30	\$ 166.95

The new Usage Fee is \$1.50 per 1,000 gallons. Usage Fee shall not change.

The schedule of rate increases shall begin at the start of each Fiscal Year. Fiscal year begins on July 1<sup>st</sup> and ends June 30<sup>th</sup> each year.

The metered rate shall be in effect for each customer starting one full calendar month after the completion of the installation of the meter for same customer.



# **Attachment “A”**

Notice of Public Hearing

# NOTICE OF PUBLIC HEARING ON PROPOSED WATER RATES ADJUSTMENTS FOR THE YETTEM WATER SYSTEM AND THE SEVILLE WATER SYSTEM

Notice Date: July 3, 2019

Public Hearing at the Tulare County Board of Supervisor Chambers  
2800 W Burrel Avenue, Visalia CA 93291  
August 20, 2019, 2019 at 9 a.m.

## WHY ARE YOU RECEIVING THIS NOTICE?

This notice is being furnished to you by Tulare County Resource Management Agency pursuant to the California Constitution Article XIII Section D (also known as "Proposition 218"). The notice is being provided to all property owners who own lands that are currently within the boundary of (1) Yettem Water Zone of Benefit in County Service Area No. 1 (the "Yettem Water System") and (2) the service area of the Seville Water Company for which the County is the court-appointed receiver (the "Seville Water System"). Under the terms of Proposition 218, the County is required to notify property owners of proposed changes to property related fees such as water services at least 45 days in advance of a public hearing related to the matter. This letter serves as notice that the Tulare County Board of Supervisors will hold a public hearing at the time and place shared above to consider changes to the current water rates for the Yettem Water System and Seville Water System. This notice has been combined for the Yettem Water System and Seville Water System because voters in the communities of Yettem and Seville voted in November 2018 to form the Yettem-Seville Community Services District (the "YSCSD") to own and operate the water systems in the two communities.

## WHAT DO WATER RATES FUND?

Monthly rates paid by users of the system are the primary sources of revenue for the water systems. All revenue generated from your utility bills is used to maintain and operate the domestic water system and not any other operation. These revenues must meet all the costs necessary for the water system, including: electricity, chemicals, maintenance costs, licensing, fees, salaries of staff, repairs, and administrative costs; reserves for emergency repairs; and reserves for future capital improvements to the system.

The Seville Water System serves approximately 87 customers and the Yettem Water System serves approximately 69 customers.

Under the terms and conditions of the formation of the YSCSD, the County must pass new rates by November 5, 2019 for the water systems, which will be inherited by the YSCSD upon completion of the water system improvements in Seville and transfer of the Seville and Yettem water systems to the YSCSD from the County at which time all rates shall be collected by and paid to the YSCSD.

## WHY ARE RATE CHANGES REQUIRED?

A complete budget review and analysis was done by an independent consultant, Rural Community Assistance Corporation ("RCAC"). This analysis examined the cost to provide water services with the objective of striking a better balance between fixed and variable revenues while continuing to promote a fair and equitable rate structure for all utility customers. The analysis included several outreach meetings and surveys in the communities of Yettem and Seville to seek community input in helping to determine preference between fixed and variable rate charges. Rates need to be adequate to recover the expenses, while ensuring that costs are equitably allocated, so that rates are fair and in proportion to the services received by each user. All the capital assets of the water systems were reviewed and an estimated replacement timeframe and cost were assigned. These capital replacements are assumed to be funded with a combination of grants, loans and the proposed rate increases.

The last rate adjustment for water services in the Community of Yettem occurred in 2012. The current rates for water services in the Community of Seville were set by Court Order at the time the County assumed receivership of the water system in Seville in 2009.

The Local Agency Formation Commission required in its conditional approval of YSCSD's formation that new water rates be adopted to make YSCSD financially sustainable and independent. **If these rates are not adopted, the water systems will remain under County management.**

Further, the County has received grant funding for the construction of a replacement distribution water system and water tank in the Community of Seville including new water meters for all residential customers. The County and the YSCSD will be submitting a grant application for the construction of the pipeline to connect the communities of Seville and Yettem, and the installation of new water meters in the community of Yettem. A condition of these grant funds requires that the County, or the YSCSD, adopt a metered water rate for these systems after the installation of the water meters.

## HOW ARE RATES CALCULATED?

This notice includes two sets of rates, a flat rate and a metered rate. Since the water meters have not yet been installed, the water rates will be the flat rate described below until the time described in the Metered Rates section below. Customers may

request Vacancy Rate if a single family dwelling is to be vacant for at least 12 consecutive months, water service will be shut off and the fee ensures costs are covered for capital costs, operations and maintenance of facilities necessary to provide services.

**Flat Rates**

The flat rate was determined by analyzing all costs associated in the operation and maintenance, reserves for emergencies, debt, and future improvements, and past water usage as described in the Seville Water Company and Yetterm Combined CSD Water Rate Analysis. An annual increase of 2.5% is proposed for the next 5 years to account for inflation of expenses. These rates shall be implemented in September 2019 and shall remain in effect until such time as the water meters are installed. The Vacancy rates will shall remain, even once water meters are installed.

Flat Rate Increase in Future Years					
	FY 2019	FY 2020 2.5% Increase	FY 2021 2.5% Increase	FY 2022 2.5% Increase	FY 2023 2.5% Increase
Single Family Dwelling	\$ 75.05	\$ 76.90	\$ 78.85	\$ 80.80	\$ 82.80
School	\$ 79.40	\$ 81.40	\$ 83.45	\$ 85.50	\$ 87.65
Vacancy	\$ 10.65	\$ 10.90	\$ 11.15	\$ 11.45	\$ 11.75

The schedule of rate increases shall begin at the start of each Fiscal Year. Fiscal year begins on July 1<sup>st</sup> and ends June 30<sup>th</sup> each year.

**Metered Rates**

Once water meters are installed, the proposed rate structure for water service fees has two components: (1) a fixed monthly **base** charge; and (2) a variable (water consumption-based) **usage** rate. The base charge is a fixed amount calculated to recover the water system’s fixed costs of operating and maintaining the water system and is based on the potential volume of water a customer could potential draw, as determined by the size of their water meter. The usage charge is based on water consumption and covers the necessary cost to produce and deliver water. This allocation between fixed and variable charges was discussed at previous outreach meetings in the communities as described above and identified by community members as the preferred option.

Under normal operating procedures, these rates should fund 100% of the fixed expenses with the Base Charges and the rest with Usage Charges. An increase is proposed for the next 5 years to account for inflation of expenses.

Base Fee Increase in Future Years					
	FY 2019	FY 2019 3.5% Increase	FY 2020 3.5% Increase	FY 2021 3.5% Increase	FY 2022 3.5% Increase
Single Family Dwelling	\$ 48.50	\$ 50.20	\$ 51.95	\$ 53.75	\$ 55.65
School	\$ 51.30	\$ 53.10	\$ 54.95	\$ 56.90	\$ 58.90
Commercial 2" Meter	\$ 145.50	\$ 150.60	\$ 155.85	\$ 161.30	\$ 166.95

The new Usage Fee is \$1.50 per 1,000 gallons.

The above Base Charges and Usage Rates, collectively the “metered rates” will go in effect in two phases, once for Seville and later for Yetterm. The metered rates will be implemented in Seville on the first billing after the first full calendar month has passed since the completion of the construction project for water system improvements in Seville, which includes the installation of water meters for all customers in Seville. These rates shall be implemented in Yetterm on the first billing after the first full calendar month has passed since the completion of the construction project for water system improvements in Yetterm, which includes the installation of meters for all customers in Yetterm and any additional customers added during this phase of construction.

Average Monthly Bill Calculation for Single Family Dwelling			
Fiscal Year	Base Fee	Usage Fee assuming usage of 10,860 gallons per month	Total Bill
2019	\$ 48.50	\$16.29	\$64.79
2020	\$ 50.20	\$16.29	\$66.49
2021	\$ 51.95	\$16.29	\$68.24
2022	\$ 53.75	\$16.29	\$70.04
2023	\$ 55.65	\$16.29	\$71.94

According to the study, these rates are the minimum that can be justified as being prudent and necessary and therefore the minimum rates required for the financial sustainability of YSCSD.

### **HEARING & PROTEST**

The purpose of this public hearing is for Tulare County to consider all comments about the rate increases to be imposed on parcels within the Seville Water Company's service area and the Yettem Water System's service area. As the record owner of a parcel identified to be subject to the imposition of the proposed rate increases, you may submit a **written** protest against the proposed rate changes. Provided, however, **if the identified parcel has more than one record owner, only one written protest will be counted**. Each protest must (1) be in writing; (2) state that you are against the proposed rates (3) provide the location of the parcel (identified by the address or by APN) and (4) include the **original signature of the record owner submitting the protest**. Protests submitted by e-mail, fax, or other electronic means will **not** be accepted.

Written protests must be submitted by mail to Board of Supervisors Chambers, 2800 West Burrel, Visalia, CA 93291, or in person at the public hearing of **August 20, 2019 at 9 a.m.**, so long as they are received prior to the start of the respective public hearing or are delivered in person during the public hearing. County of Tulare staff will **not** accept protest letters, prior to the public hearing, as they all must be mailed to the address above or delivered in person at the **August 20, 2019** public hearing. Please identify on the front of the envelope of any protest, whether mailed or submitted in person, that the enclosed letter is for the Proposed Increases of the Water Rates for the Yettem and Seville water systems.

During the **August 20, 2019** public hearing the written protests will be tallied by an impartial person. At the conclusion of the public hearing of **August 20, 2019**, the Tulare County Board of Supervisors will consider adopting the proposed rate changes. Oral comments at the public hearing will not qualify as formal protests unless accompanied by a written protest, and delivered as stated above. If, at the beginning of the **August 20, 2019** public hearing, written protests against the rate increases, as outlined above, are not presented by a **majority of the owners of the identified parcels** upon which the new rates are proposed to be imposed, the Tulare County Board of Supervisors will be authorized to impose the rate increases as presented here.

# AVISO DE AUDIENCIA PÚBLICA SOBRE AJUSTES PROPUESTAS DE LAS TARIFAS DE AGUA PARA EL SISTEMA DE AGUA DE YETTEM Y EL SISTEMA DE AGUA DE SEVILLE

Fecha de aviso: 3 de julio del 2019

Ubicación de Audiencia Pública será en Tulare County Board of Supervisor Chambers  
2800 W Burrel Avenue, Visalia CA 93291  
20 de agosto de 2019, a las 9 a.m.

## ¿POR QUÉ ESTÁ RECIBIENDO ESTE AVISO?

Este aviso le está siendo proporcionado por Tulare County Resource Management Agency conforme con la Sección D del Artículo XIII sección D de la Constitución de California (también conocida como "Proposición 218"). El aviso se envía a todos los propietarios que son dueños de las parcelas que se encuentran actualmente dentro de los límites de (1) Zona de Beneficio del Agua de Yettem en el Área de Servicio del Condado # 1 (el "Sistema de agua de Yettem") y (2) el área de servicio de la Seville Water Company para la cual el Condado es el administrador judicial (el "Sistema de agua de Seville"). Bajo los términos de la Propuesta 218, se requiere que el Condado notifique a los propietarios de los cambios propuestos a las tarifas relacionadas con la propiedad, como los servicios de agua, al menos 45 días antes de una audiencia pública relacionada con el asunto. Esta carta sirve como aviso de que la Junta de Supervisores del Condado de Tulare realizará una audiencia pública para considerar los cambios en las tarifas de agua para el Sistema de Agua de Yettem y el Sistema de Agua de Seville. Este aviso fue combinado para el Sistema de Agua de Yettem y el Sistema de Agua de Seville porque los votantes de las comunidades de Yettem y Seville votaron en noviembre de 2018 para formar el Distrito de Servicios Comunitarios de Yettem-Seville (el "YSCSD") para ser dueño de y operar los sistemas de agua en las dos comunidades.

## ¿QUÉ PASA CON LOS FONDOS QUE GENERAN LAS TARIFAS DE AGUA?

Las tarifas mensuales pagadas por los usuarios del sistema son las fuentes principales de ingresos para los sistemas de agua. Todos los ingresos generados de sus facturas de servicios públicos se utilizan para mantener y operar el sistema de agua doméstico solamente, no financiará ninguna otra cosa. Estos ingresos deben cumplir con todos los gastos necesarios para el sistema de agua, incluyendo la electricidad, productos químicos, los costos de mantenimiento, licencias, honorarios, sueldos del personal, las reparaciones y los costos administrativos, y acumular reservas para reparaciones de emergencia y futuras mejoras en el sistema.

El Sistema de Agua de Seville sirve a aproximadamente 87 clientes y el Sistema de Agua de Yettem sirve a aproximadamente 69 clientes.

Bajo los términos y condiciones de la formación del YSCSD, el Condado debe aprobar nuevas tarifas antes del 5 de noviembre de 2019 para los sistemas de agua. El YSCSD heredará los sistemas de agua de Seville y Yettem en cuanto se completen las mejoras del sistema de agua en Seville. Los sistemas de agua de Seville y Yettem se transferirán al YSCSD del Condado, luego todas las tarifas se cobrarán por, y se pagarán a, el YSCSD.

## ¿POR QUÉ SE REQUIEREN CAMBIOS DE TARIFA?

Un consultor independiente, Rural Community Assistance Corporation ("RCAC") realizó una revisión y análisis del presupuesto completo. Este análisis examinó el costo de proporcionar servicios de agua con el objetivo de lograr un mejor equilibrio entre los ingresos fijos y variables sin dejar de promover una estructura de tarifa justa y equitativa para todos los clientes de servicios públicos. El análisis incluyó varias reuniones y encuestas en las comunidades de Yettem y Seville para buscar la opinión de la comunidad y ayudar a determinar la preferencia entre las tarifas fijas y variable. Las tarifas deben ser adecuadas para recuperar los gastos y al mismo tiempo asegurar que los costos se asignen de manera equitativa, de modo que las tarifas sean justas y proporcionales a los servicios recibidos por cada usuario. Todos los bienes de capital de los sistemas de agua fueron revisados y se les asignó un plazo de reemplazo y un costo estimados. Se supone que estos reemplazos de capital se financiarán con una combinación de becas, préstamos y el aumento en tarifas.

El último ajuste de tarifas para los servicios de agua en la Comunidad de Yettem ocurrió en 2012. Las tarifas actuales para los servicios de agua en la Comunidad de Seville fueron establecidas por Orden Judicial en el momento en que el Condado asumió la administración del sistema de agua en Seville.

La Comisión de Formación de la Agencia Local (Local Agency Formation Commission) exigió en su aprobación condicional de la formación de YSCSD que se adopten nuevas tarifas de agua para que los sistemas de agua sean financieramente sostenibles e independiente. **Si no se adoptan estas tarifas, los sistemas de agua permanecerán bajo la administración del Condado.**

Además, el Condado recibió un fondo de subvención para la construcción del reemplazo del sistema de agua y tanque de agua en la Comunidad de Seville, incluyendo nuevos medidores de agua para todos los clientes residenciales. El Condado y el YSCSD van a presentar una solicitud para un fondo de subvención para la construcción de la tubería que conectará los sistemas de agua de las comunidades de Sevilla y Yettem, y la instalación de medidores de agua en la comunidad de Yettem. Una condición de estos fondos de subvención requiere que el Condado, o el YSCSD, adopte una tarifa de agua que mida y cobre el uso del agua en estos sistemas después de la instalación de los medidores de agua.

## ¿CÓMO SE CALCULAN LAS TARIFAS?

Este aviso incluye dos series de tarifas, una tarifa fija y una tarifa con medidor. Debido a que los medidores de agua aún no se han instalado, las tarifas de agua serán la tarifa fija que se describe a continuación hasta que se instalen los medidores de agua. Los clientes pueden solicitar una tasa de vacante si una residencia unifamiliar estará vacante durante al menos 12 meses consecutivos, el servicio de agua se cerrará y la tarifa garantiza que los costos de capital, las operaciones y el mantenimiento de las instalaciones necesarias para proporcionar los servicios.

### Tarifa Fija

La tarifa fija se determinó mediante el análisis de todos los costos asociados con la operación y el mantenimiento, las reservas para emergencias, la deuda, y las mejoras futuras, y el uso pasado del agua, como se describe en el reporte Seville Water Company and Yettem Combined CSD Water Rate Analysis. Un aumento anual del 2,5% se propone para los próximos 5 años para tener en cuenta la inflación de los gastos. Estas tarifas se implementarán en septiembre de 2019 y permanecerán vigentes hasta el momento en que se instalen los medidores de agua. La tarifa de vacante se mantendrá, incluso una vez que se instalen los medidores de agua.

Incremento de la Tarifa Fija en Años Futuros					
	Año 2019	Año 2020 Aumento de 2.5%	FY 2021 Aumento de 2.5%	FY 2022 Aumento de 2.5%	FY 2023 Aumento de 2.5%
Residencia unifamiliar	\$ 75.05	\$ 76.90	\$ 78.85	\$ 80.80	\$ 82.80
Escuela	\$ 79.40	\$ 81.40	\$ 83.45	\$ 85.50	\$ 87.65
Vacante	\$ 10.65	\$ 10.90	\$ 11.15	\$ 11.45	\$ 11.75

El calendario de aumentos de tasas comenzará al inicio de cada año fiscal. El año fiscal comienza el 1 de julio y termina el 30 de junio de cada año.

### Tarifas con medidores

Una vez que se instalan los medidores de agua, la estructura de tarifas propuesta para las tarifas de servicio de agua tiene dos componentes: (1) una tarifa **base** fija mensual; y (2) una tarifa variable de **uso** (basada en el consumo de agua). La tarifa base es una cantidad fija calculada para recuperar los costos fijos de operación y mantenimiento del sistema de agua y se basa en el volumen potencial de agua que un cliente podría extraer, según el tamaño de su medidor de agua. La tarifa de uso se basa en el consumo de agua y cubre el costo necesario para producir y entregar agua. Esta asignación entre tarifas fijas y variables se discutió en reuniones anteriores de la comunidad como se describió anteriormente e identificada por los miembros de la comunidad como la opción preferida.

Según los procedimientos de operación normales, estas tarifas deben financiar el 100% de los gastos fijos con la tarifa de base y el resto con la tarifa con medidor. Se propone un aumento durante los próximos 5 años para compensar la inflación de los gastos.

Incremento de la Tarifa de Base en Años Futuros					
	FY 2019	FY 2019 Aumento de 3.5%	FY 2020 Aumento de 3.5%	FY 2021 Aumento de 3.5%	FY 2022 Aumento de 3.5%
Residencia unifamiliar	\$ 48.50	\$ 50.20	\$ 51.95	\$ 53.75	\$ 55.65
Escuela	\$ 51.30	\$ 53.10	\$ 54.95	\$ 56.90	\$ 58.90
Medidor comercial de 2 "	\$ 145.50	\$ 150.60	\$ 155.85	\$ 161.30	\$ 166.95

La nueva tarifa de uso es de \$ 1.50 por 1,000 galones.

La Tarifa de Base y La Tarifa de Uso mencionadas juntas hacen la "tarifa por medidor" que entrará en vigencia en dos fases, primero para Seville y luego para Yettem. Las tarifas por medidor se implementarán en Seville después de un mes entero después de la finalización del Proyecto de construcción para mejoras del Sistema de agua en Seville, que incluye la instalación de medidores de agua para todos los clientes en Seville. Estas tarifas se implementarán en Yettem después de un mes entero después de la finalización de la fase II del Proyecto de construcción para mejoras del Sistema de agua en Yettem, que incluye la instalación de medidores de agua para todos los clientes en Yettem y cualquier clientes adicionales añadidos durante la fase de construcción.

Cálculo de Factura Promedia para Residencia unifamiliar			
Año	Tarifa de Base	Tarifa de uso asumiendo el uso de 10,860 galones por mes	Factura Total
2019	\$ 48.50	\$16.29	\$64.79
2020	\$ 50.20	\$16.29	\$66.49
2021	\$ 51.95	\$16.29	\$68.24
2022	\$ 53.75	\$16.29	\$70.04
2023	\$ 55.65	\$16.29	\$71.94

Según el estudio, estas tarifas son las mínimas que pueden justificadas por ser prudente y necesario y, por lo tanto, las tarifas mínimas requeridas para la sostenibilidad financiera de YSCSD.

### **AUDIENCIA PÚBLICA Y PROTESTA**

El propósito de esta audiencia pública es que el Condado de Tulare considere todos los comentarios sobre los aumentos de tarifas que se impondrán en las parcelas dentro del área de servicio de Seville Water Company y del área de servicio del Sistema de Agua Yettem. Como el propietario del registro de parcela identificada en el área de servicio que está sujeta a la imposición de los aumentos de la tarifa, Ud. puede presentar una protesta por **escrito** contra los cambios de tarifas propuestas. Sin embargo, **si la parcela identificada tenga más de un propietario de registro, solo se contará una protesta por escrito.** Cada protesta debe (1) ser por escrito; (2) indicar que está en contra de las tarifas propuestas (3) proporcionar la ubicación de la propiedad (identificada por la dirección o por APN) y (4) incluir la **firma original del propietario del registro que presenta la protesta. No se aceptarán** las protestas presentadas por correo electrónico, fax u otros medios electrónicos.

Las protestas escritas deben enviarse por correo a la Board of Supervisors Chambers, 2800 West Burrel, Visalia, CA 93291, o en persona en la audiencia pública del **20 de agosto de 2019, 2019 a las 9 a.m.**, siempre que se reciban antes del inicio de la audiencia pública mencionado o se entregan en persona durante la audiencia pública. El personal del Condado de Tulare **no** aceptará cartas de protesta ya que todas deben enviarse por correo a la dirección que mencionado o entregarse personalmente en las audiencias públicas del **20 de agosto de 2019, 2019**. Por favor, identifique en el frente del sobre de cualquier protesta, que la carta hace referencia a los aumentos propuestos de las tarifas de agua.

Durante la audiencia pública del **20 de agosto de 2019**, las protestas por escrito serán contados por una persona imparcial. Al final de la audiencia pública del **20 de agosto de 2019**, la Junta de Supervisores del Condado de Tulare considerará la adopción de los cambios propuestos en las tarifas. Los comentarios orales en las audiencias públicas no se calificarán como protestas formales a menos que estén acompañados por una protesta por escrito y entregados como se indicó anteriormente. Si, al comienzo de la audiencia pública del **20 de agosto de 2019**, las protestas por escrito contra los aumentos de tarifas, como se describe anteriormente, no son presentadas por la **mayoría de los propietarios de las parcelas identificadas** sobre las cuales se propone imponer las nuevas tarifas, La Junta de Supervisores del Condado de Tulare estará autorizada para imponer los aumentos de tarifas tal como se presenta aquí.

# **Attachment “B”**

Seville Water Company and Yettem Combined CSD Water Analysis



# Seville Water Company And Yettem Combined CSD Water Rate Analysis February, 2018

State of California State Water Resources Control Board

Proposition 1 Water Bond

Comprehensive Assistance to Tribal and Small Systems Project Agreement Number:  
D1612801

TA Workplan Number: 5008-C Task #3

**Presented by:** Rural Community  
Assistance Corporation (RCAC)

**Funded by:** State Water  
Resources Control Board





April 1, 2018

Elvira Reyes

State Water Resources Control City Council - Division of Financial Assistance

1001 I St. 16th Floor

PO Box 944212

Sacramento, CA 95814

Subject: Seville Water Company and Yettem Combined CSD, Water Rate Analysis  
Prop 1 Agreement No. D1612801 / TA Work Plan No. 5008-C Task #3

Dear Elvira:

Enclosed please find the printed final report of the Seville Water Company and Yettem Combined CSD Water Rate Analysis.

The Local Agency Formation Commission hearing for the formation of the Yettem-Seville CSD is scheduled for May 2, 2018.

The report has been provided to Tulare County. The date for the Proposition 218 hearing has not yet been set. If you have any additional questions, feel free to contact me at 916/447-9832, Ext 1032 or Mary Fleming at 916/549-6338.

Sincerely,

*Ari Neumann*

Ari Neumann

RCAC, Assistant Director

Community & Environmental Services

Enclosure: Seville Water Company and Yettem Combined CSD Water Rate Analysis

CC: Maria Herrera, Self Help Enterprises, P.O. Box 6520 • Visalia, CA 93290

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## **Purpose and Objective**

Seville is a community and census-designated place (CDP) in Tulare County, California. The population was 568 at the 2016 census. According to the United States Census Bureau, the CDP has a total area of .6 square miles, all of it land.

The Seville Water Company (SWC) has been under the receivership of Tulare County since June 11, 2009. The county manages SWC, which provides water to the community of Seville's 74 residential connections and one elementary school.

Yettem is a community and census-designated place (CDP) in Tulare County, California, located on California State Route 201, 11 miles north of Visalia. The population was estimated to be 353 at the 2016 census. According to the United States Census Bureau, the CDP has a total area of .2 square miles, all of it land.

The Tulare County Service Area #1 (Yettem) is the zone of benefit for the CDP. The county owns and manages the Yettem water system, which provides water to the community's 63 residential connections, the Cutler-Orosi Unified School District and the Yettem Learning Center.

In an effort to improve water quality and provide safe and reliable drinking water to the communities of Seville and Yettem, the SWC water system is under construction to replace its current infrastructure, drill a new well in the Yettem area to replace the existing Seville community well and connect the Yettem and Seville systems with an interconnection pipeline.

SWC and Yettem water system are also researching options for uniting Yettem and SWC to form a Community Services District (CSD) to treat and deliver water to the combined communities. The governance and construction of the CSD is yet to be determined. To have a reliable estimate of what the costs to the community (rates) would be for the proposed CSD, it was requested that Rural Community Assistance Corporation (RCAC) complete an evaluation of projected water user rates for the communities under the CSD, including Capital Improvement Planning (CIP) recommendations. The financial analysis was developed using projections from many sources, including historic information, engineers, and costs associated with nearby water systems of comparable size.

An accurate and useful rate analysis not only identifies the total annual revenue required by a utility to conduct its normal day-to-day operations, but it also anticipates and plans for future operating and capital needs.

Furthermore, the analysis attempts to determine whether the projected revenue under existing rates will satisfy those needs. The primary objective of this process is to ensure that the utility has the ability to obtain sufficient funds to develop, construct, operate, maintain and manage its water system on a continuing basis, in full compliance with federal, state and local requirements.

### ***DISCLAIMER***

*The recommendations contained in this financial analysis are based on historical financial information provided to RCAC by Tulare County and engineer projections. Although every effort was made to assure the reliability of this information, no warranty is expressed or implied as to the correctness, accuracy or completeness of the information contained herein.*

## Financial Planning

The objective of developing a financial plan for a water system is to determine cash needs, revenue requirements and anticipated timing of utility costs to ensure that adequate funds are available to meet operational and maintenance needs as they occur. Financial planning for a small water system normally includes an examination of:

- Operating revenues
- Operation and maintenance (O&M) expenses
- Debt service (principal and interest payments) on borrowed funds
- Reserve requirements

The financial plan calculates the minimum revenues necessary to maintain viable and self-sustaining enterprises.

### Operating Revenues

Revenues are the main sources of income to a utility and are typically thought of as operating and non-operating. Operating revenue is the stable and reliable income that comes from customer rates or user charges. Non-operating revenue, such as interest on checking and reserve accounts, meter deposits, connection fees, late payments, penalties and reconnection fees, may also be considered operating revenue if they are stable and dependable revenue sources. For example, a water system with consistent growth that is expected to continue may consider connection fees as an operating revenue source.

### Operating Expenses

This is the first cost category that is considered when developing a financial plan. Operating and maintenance (O&M) costs include the day-to-day expenses of providing drinking water to customers. Operating expenses include labor, insurance, materials, electricity and chemicals.

### Water System Reserves

Reserves are an accepted way to stabilize and support a utility's financial management. Small systems usually fund the operating expenses but don't often consider putting money aside for a specific upcoming financial need or project, or for an amount that can be used to provide rate stabilization in years when revenues are unusually low or expenditures are unusually high. The rationale for maintaining adequate reserve levels is two-fold. First, it helps to ensure that the utility will have adequate funds available to meet its financial obligations in times of varying needs. Secondly, it provides a framework around which financial decisions can be made to determine when reserve balances are inadequate or excessive and what specific actions need to be taken to remedy the situation. Utility reserve levels can be thought of as a savings account. Reserve balances are funds that are set aside for a specific cash flow requirement, financial need, project, task or legal covenant. Common reserve balances are established around the following four areas: **operating reserve, capital improvement, emergency and debt service reserve**. These balances are maintained in order to meet short-term cash flow requirements, and at the same

time, minimize the risk associated with meeting financial obligations and continued operational needs under adverse conditions.

### ***Debt Service Reserve***

Water utilities that have issued debt to pay for capital assets will often have required reserves that are specifically defined to meet the legal covenants of the debt. Normally, debt service reserve represents an amount equal to one full annual loan payment and can be accumulated to this level over a period of five to ten years. SWC and Yettem did not have debt requiring the establishment of reserves at the time of this analysis. If debt is incurred for future replacements or upgrades of the water system, a debt reserve should be established and the cost of the reserve funding should be passed along to the rate payers through a rate adjustment.

### ***Operating Reserve***

Operating reserves are established to provide the utility with the ability to withstand short-term cash flow fluctuations. There can be a significant length of time between when a system provides a service and when a customer pays for that service. In addition, a system's cash flow can be affected by weather and seasonal demand patterns. A 45-day operating reserve is a frequently used industry norm. Because of potential delays in collecting payment, many utilities attempt to keep an amount of cash equal to at least 45 days or one-eighth (1/8) of their annual cash O&M expenses in an operating reserve to mitigate potential cash flow problems. A five-year budget projection was completed assuming a three (3) percent annual inflation rate.

### ***Emergency Reserve***

In addition to operating reserves, emergency reserves are an important tool for financial sustainability. Emergency reserves are intended to help utilities deal with short-term emergencies which arise from time-to-time, such as main breaks or pump failures. The appropriate amount of emergency reserves will vary greatly with the size of the utility, and should depend on major infrastructure assets. An emergency reserve is intended to fund the immediate replacement or reconstruction of the system's single most critical asset; an asset whose failure will result in an immediate water outage or threat to public safety. This analysis was completed on the assumption that emergency reserves in the amount of \$25,000 will be funded over a ten year period at \$2,500 annually.

### ***Capital Improvement Reserve***

A capital improvement reserve (also called a repair and replacement reserve) is intended to be used for replacing system assets that have become worn out or obsolete. Annual depreciation is frequently used to estimate the minimum level of funding for capital reserves. It is important to understand that depreciation expense is an accounting concept for estimating the decline of an asset's useful life and does not represent the current replacement cost of that asset. As an example, a brand new system with a construction cost of \$1 million and a service

life of 100 years should, in theory, be setting aside \$10,000 per year to fully capitalize the replacement cost of the infrastructure as it wears out. Many smaller systems find this to be impossible because of the effect on rates, which explains the large number of small systems that are falling into disrepair.

To initiate a capital improvement plan (CIP), a small water or sewer system will start with a list of assets that includes the remaining service life, theoretical replacement costs in today’s dollars and the remaining service life. It then calculates the monthly and annual reserve that must be collected from each customer to fully capitalize the replacement cost of each asset. In reality, the assets will fail and be replaced gradually, but the replacement cost of water system assets is often a shock to small systems who are struggling to keep rates reasonable.

One alternative method is to set-aside an annual amount equal to one-to-two percent of the total original cost asset value of the utility's property. Larger systems often have sufficient non-operating revenue to fund these reserve levels without affecting rates, but smaller systems often do not, leaving them to fund their CIP reserves from rates alone. An alternative method is to set-aside sufficient reserve funds to cover 100 percent of the cost for replacing short-lived assets, such as well pumps, electronic controls, vehicles, etc.

The engineering firm, Provost & Pritchard, provided equipment lists for both the initial replacement of SWC equipment (Phase I) and the construction of the new well and connection for YetteM. (Phase II). See Attachments # 1 and #2.

**TABLE 1: RECOMMENDED ANNUAL RESERVES**

<b>Water System Reserve Funding Recommendations</b>			
<b>Reserve Classification</b>	<b>Annual Amount</b>	<b>Annual Cost Per Connection 156 Connections</b>	<b>Monthly Cost Per Connection</b>
Operating Reserves	\$ 2,637.35	\$ 16.91	\$ 1.41
Annual Emergency Reserve	\$ 2,500.00	\$ 16.03	\$ 1.34
Annual Replacement Reserve (20% of Phase 1 & Phase 2)	\$ 72,117.01	\$ 462.29	\$ 38.52
<b>Total Annual Reserves</b>	<b>\$ 77,254.36</b>	<b>\$ 495.22</b>	<b>\$ 41.27</b>

**Affordability Index**

The *affordability index* measures the burden of costs passed from the water utility to the users against the median household income (MHI) for the area, and is used by funding agencies to determine grant and low interest loan eligibility. Many funding organizations look for an affordability ratio of 1.5 percent before approving grant money to low-income communities. Rates approaching 2.5% of



MHI can be unaffordable. The 2016 American Community Survey (ACS) estimated Seville had an MHI of \$23,000. No MHI information was available for YetteM. Assuming YetteM's MHI is comparable to Seville, the current rates of \$56 and \$60 are at 2.92% and 3.13% respectively.

*Affordability Index* = average annual residential bill for water / annual MHI.

In an effort to keep rates below 3% of MHI, the table below illustrates adjustments made to the ideal reserve fund contributions.

**TABLE 2: REDUCED ANNUAL RESERVES**

Reduced Water System Reserve Funding Recommendations			
Reserve Classification	156 Connections	Annual Cost Per Connection	Monthly Cost Per Connection
Operating Reserves	\$ 2,637	\$ 16.90	\$ 1.41
Annual Replacement Reserve	\$ 20,000	\$ 128.21	\$ 10.68
Annual Emergency Reserve	\$ 2,500	\$ 16.03	\$ 1.34
<b>Total Reserves</b>	<b>\$ 25,137</b>	<b>\$ 144</b>	<b>\$ 12.02</b>

## Rate Basics

### Rate Structures

The following are types of rates structures common to drinking water systems:

- **Uniform Flat Rate:** Customers pay the same amount regardless of the quantity of water used. This type of rate is easiest to administer; however, it is not fair to the lowest water users and can promote high consumption which then may cost the utility more to provide that water. This is the current rate structure for SWC and YetteM because individual connection meters have not yet been put into use. However, part of the new construction will include meters for each connection. The rate calculations in this document assume a base rate plus a usage rate.
- **Single or Uniform Block Rate:** Customers are charged a constant price per volume regardless of the amount of water used. The cost per block of water is often added to a minimum charge for having service available. This rate tends to be more equitable to customers as the cost to customer is in direct proportion to the usage amount. Because the individual usage by connection is not yet known, this is the structure assumed in the rate calculations for this analysis.
- **Inclining or Increasing Block Rate:** This rate is designed to promote water use efficiency, as the price of water increases as the amount used increases.
- **Decreasing Block Rate:** This rate is designed to encourage business development as the price of water decreases as the amount used increases.

**TABLE 3: SEVILLE AND YETTEM CURRENT CONNECTIONS AND FEES:**

Current Connections and Fees		
Type of Connection	No. Connections	Rate
<i>Seville:</i>		
Single Family Dwellings	86	\$ 60.00
Stone Corral Elementary School	1	\$ -
<i>Yettem:</i>		
Single Family Residence	63	\$ 56.00
Cutler-Orosi Unified School District	1	\$ 63.50
Yettem Learning Center	1	\$ 63.50
Vacancy	1	\$ 8.50
Standby	3	\$ 8.50
<b>Total</b>	<b>156</b>	

**Customer  
Water  
Demands**

When analyzing water rates, it is important to understand existing patterns of consumption among the system’s customers. A large portion of customers may use a small percentage of water, and a small portion of customers may use a large percentage. Because the connections were not yet metered at the time of this report, individual usage patterns were not available for analysis.

Understanding how customers use water is important when you are considering seasonal operational needs, infrastructure replacement and water use efficiency to name a few.

Yettem currently serves 69 connections and SWC serves 87 for a combined 156 connections. The monthly water use for July 1, 2015 through June 30, 2016 is shown in Table 4.

**TABLE 4: SEVILLE AND YETTEM USAGE**

Combined Usage July 1, 2015 - June 30, 2016 (Gallons)			
Month	Seville	Yettem	Total
July, 2015	4,248,700	1,669,800	5,918,500
August, 2015	1,339,000	1,569,700	2,908,700
September, 2015	2,295,000	1,608,900	3,903,900
October, 2015	1,856,800	1,297,800	3,154,600
November, 2015	1,163,300	935,800	2,099,100
December, 2015	1,264,300	916,200	2,180,500
January, 2016	930,600	892,500	1,823,100
February, 2016	1,084,300	956,000	2,040,300
March, 2016	1,192,730	1,049,500	2,242,230
April, 2016	1,447,950	1,190,000	2,637,950
May, 2016	2,152,450	1,866,900	4,019,350
June, 2016	2,600,500	2,131,100	4,731,600
<b>Total</b>	<b>21,575,630</b>	<b>16,084,200</b>	<b>37,659,830</b>

## **Budget Assumptions**

Because both water systems have previously been managed under Tulare County, a number of assumptions have been made in regards to costs of operating as a CSD.

1. Contracted Work - \$36,480  
It is assumed a contract operator will provide the services to operate and maintain the water systems at a rate of \$2,000 per month for a total of \$24,000 annually. It is further assumed a bookkeeper will be contracted to provide billing and bookkeeping services at a rate of \$15 per hour for an average of 16 hours per week for a total of \$12,480 annually.
2. It is assumed the CSD will have an annual audit conducted at \$3,000.
3. It is assumed the CSD will have an attorney to provide legal advice at an annual fee of \$2,000.
4. It is assumed there will be 5 board members who will receive a stipend of \$50 each per month for a total of \$3,000 annually.
5. Because the equipment is new it is assumed repairs and maintenance will be at a minimum. The labor costs are assumed to be covered under the operator contract. An allowance of \$5,000 is assumed for costs of parts and supplies.
6. Utility costs have been estimated by the engineers at \$41,337 annually for both systems.
7. Printing and copying is expected to be nominal and has been estimated at \$200 annually.
8. Postage has been estimated for 144 customer bills monthly @ \$0.49 per bill for a total of \$847 annually, plus an allowance of \$15 per month for miscellaneous mailings has been assumed.
9. Office supplies have been estimated at \$50 per month for paper, checks and printer cartridges. The first year may have some additional set up cost.
10. Telephone and internet costs have been estimated at \$1,250 annually.
11. Liability Insurance has been estimated at \$3,500 annually.
12. Public/Legal Notifications have been estimated at \$1,600 annually based on historic Tulare County records.
13. Mileage is estimated at \$500 annually, assuming contract bookkeeper receives reimbursement.
14. Permits and Licenses are estimated at \$1,500 annually.
15. Chemicals are estimated at \$2,000 annually by engineers.
16. Lab Testing is estimated at \$2,500 annually for lab fees.
17. Debt service in the amount of \$2,463 for 2018 has been assumed for Yettem for payment of a Certificate of Participation.
18. Emergency reserve funding has been assumed at \$2,500 annually for ten years to accumulate \$25,000 in emergency reserves.
19. Debt Service Reserves have been assumed not applicable.
20. Operating reserve funding has been assumed at \$2,637 annually to accumulate 12.5% of operating budget over 5 years.
21. Annual equipment replacement reserves have been assumed at \$20,000 annually. If operating costs run lower than budgeted, excess revenue over costs should be added to the equipment replacement reserves.

## **Fixed versus Variable Expenses**

Water must be available to customers at all times whether the customer is using the water or not. A large share of water system costs are associated with bringing the first drop of water to the customer's meter, regardless of whether any water is used. Fixed costs are those that must be recovered by the utility to ensure that drinking water is available to its customers.

**Fixed costs** are usually recovered from each customer on an equal basis through the use of a minimum fee (a minimum monthly bill). Fixed costs may cover 100 percent of some expenses in a system's budget, but only a portion of other types of expenses. For example, fixed expenses generally include all debt service expenses on construction loans, financial reserves for emergencies or equipment replacement, and overhead costs, like insurance and bonding. Fixed costs should also include a portion of other system operating expenses. For example, a percentage of wages and fringe benefits for time spent in reading each meter and preparing each customer's bill.

The method for identifying all or part of some expenses as fixed costs involves determining to what extent each of the line item expenses in the budget benefits every customer of the system, regardless of their level of usage. This is a determination that each utility must make for itself.

Fixed costs should generally be recovered in a system's minimum bill, the minimum monthly fee charged equally to each customer within each customer classification (residential, multi-residential, commercial, etc.) or by meter size (3/4-inch, 1-inch, etc.). For small systems with fewer customers, spreading these costs among its customers, the proportion of fixed costs will be higher than larger systems. Many small systems find it impossible to recover all fixed costs in a monthly minimum, so they tend to shift a certain percentage to the variable side. Fixed costs for small systems are usually in the range of one-third to two-thirds of the system's total operating costs and may run even higher for very small systems.

**Variable costs** are system expenses that are more directly related to how much water is pumped, treated, stored and distributed. Most costs for electricity, chemicals and repairs can be classified as variable costs because they are directly related to the amount of water customers' use. To recover variable expenses, rate structures use a "consumption charge" or "flow charge" per volume, such as per thousand gallons or hundred cubic feet.

**TABLE 5: BUDGET - FIXED/VARIABLE COSTS**

Seville & YetteM CSD	Budget FYE 6/30/2018	Estimated % Fixed Costs	Fixed costs	Variable costs
<b>Cost of goods sold:</b>				
Contracted Work	\$36,480.00	100%	\$36,480	\$0
Audit	\$3,000.00	100%	\$3,000	\$0
Legal	\$2,000.00	100%	\$2,000	\$0
Board Expenses	\$3,000.00	100%	\$3,000	\$0
Maint - Equip	\$5,000.00	65%	\$3,250	\$1,750
Utilities	\$41,337.00	5%	\$2,067	\$39,270
Expense - Printing	\$200.00	100%	\$200	\$0
Postage	\$1,027.00	100%	\$1,027	\$0
Office Supplies	\$600.00	100%	\$600	\$0
Telephone	\$1,250.00	100%	\$1,250	\$0
Liability Insurance	\$3,500.00	100%	\$3,500	\$0
Public/Legal No	\$1,600.00	100%	\$1,600	\$0
Mileage	\$500.00	100%	\$500	\$0
Permits/Licenses	\$1,500.00	100%	\$1,500	\$0
Chemicals	\$2,000.00	80%	\$1,600	\$400
Lab Testing	\$2,500.00	100%	\$2,500	\$0
<b>Total Operating Costs</b>	<b>\$ 105,494</b>		<b>\$ 64,074</b>	<b>\$ 41,420</b>
<b>Total Debt Service YetteM</b>	<b>\$ 2,463</b>			
<b>Total Operating Costs and Debt Service</b>	<b>\$ 107,957</b>			
Annual Emergency Reserve	\$ 2,500	(Assumes Reserves in the Amount of \$25k funded over 10 years)		
Debt Reserves				
Annual Operating Reserve	\$ 2,637	(\$13,187 Funded over 5 years)		
Annual Replacement CIP reserve	\$ 20,000	costs funded over life of equipment)		
Total Annual Reserves	<b>\$ 25,137</b>			
<b>Total Annual Budget</b>	<b>\$ 130,631</b>			
TOTAL ANNUAL OPERATING BUDGET	\$105,494			
TOTAL FIXED COST OF ANNUAL BUDGET	\$64,074			
% OF ANNUAL BUDGET THAT IS FIXED	61%			
TOTAL VARIABLE COST OF ANNUAL BUDGET	\$41,420			
% OF ANNUAL BUDGET THAT IS VARIABLE	39%			

## Water Rate Analysis

Understanding how customers use water is important when considering seasonal operational needs, infrastructure replacement and water use efficiency, and other volume related costs. When developing a rate based on usage, it is important to consider the impact on the highest water users as those will incur larger monthly bills. Those customers may begin to use water more efficiently after a rate adjustment; and if not, the CSD may target the highest water users for water efficiency education. The impact the reduction of usage would have on the CSD's revenue should be carefully considered. The utility must continue to collect enough operating revenues to cover its operating expenses and put money aside in its required reserve accounts. Revenues were evaluated with the assumption that the CSD will not be gaining or losing customers over the next five years. For purposes of this analysis, a 15% overall water use reduction has been assumed.

# Rate Adjustment Option #1

In the rate adjustment Option #1, it is assumed the meters will not all be operational at the time the two water systems combine. A flat rate with an increase of 22% for Seville and 31% for Yettem will bring the rates to an amount that will cover operating costs and the reduced reserve accounts. To maintain the coverage, an annual increase of 2.5% is assumed.

**TABLE 6: RATE ADJUSTMENT OPTION #1 FLAT RATE**

Seville/Yettem CSD Budget #2 Option #1 Flat Rate; Annual Increases of 2.5%	# of active accounts/units	Current Water Fees	Adjustment	Adjusted Rate	Average Monthly Revenue - Water	Average Annual Revenue - Water
<b>Residential</b>			22%			
Single Family Dwelling (Seville)	86	\$ 60.00	\$ 13.20	\$ 73.20	\$ 6,295.20	\$ 75,542.40
Single Family Dwelling (Yettem)	63	\$ 56.00	\$ 17.20	\$ 73.20	\$ 4,611.60	\$ 55,339.20
Stone Corral School	1	\$ -	\$ 77.47	\$ 77.47	\$ 77.47	\$ 929.64
Cutler-Orosi Unified School District	1	\$ 63.50	\$ 13.97	\$ 77.47	\$ 77.47	\$ 929.64
Yettem Learning Center	1	\$ 63.50	\$ 13.97	\$ 77.47	\$ 77.47	\$ 929.64
Vacancy	1	\$ 8.50	\$ 1.87	\$ 10.37	\$ 10.37	\$ 124.44
Standby	3	\$ 8.50	\$ 1.87	\$ 10.37	\$ 31.11	\$ 373.32
<b>Total Base Fee Revenue</b>	<b>156</b>				<b>\$ 11,180.69</b>	<b>\$ 134,168.28</b>
<b>Budget Assuming 3% Inflation per year</b>		<b>6/30/2018</b>	<b>6/30/2019</b>	<b>6/30/2020</b>	<b>6/30/2021</b>	<b>6/30/2022</b>
Total Monthly Required Reserves Fund		\$ 2,095	\$ 2,095	\$ 2,095	\$ 2,095	\$ 2,095
Total yearly required reserve fund		\$ 25,137	\$ 25,216	\$ 25,298	\$ 25,382	\$ 25,468
Debt Service		\$ 2,463	\$ 2,418	\$ 2,373	\$ 2,328	\$ 2,283
Total Fixed Budget		\$ 64,074	\$ 65,996	\$ 67,976	\$ 70,015	\$ 72,116
Total Variable Budget		\$ 41,420	\$ 42,663	\$ 43,943	\$ 45,261	\$ 46,619
Total Budget( Excluding Reserve and Debt Funding)		\$ 105,494	\$ 108,659	\$ 111,919	\$ 115,276	\$ 118,734
<b>Total Budget (Including Reserve Funding and Debt Service)</b>		<b>\$ 133,094</b>	<b>\$ 136,293</b>	<b>\$ 139,589</b>	<b>\$ 142,986</b>	<b>\$ 146,485</b>
		<b>6/30/2018</b>	<b>6/30/2019</b>	<b>6/30/2020</b>	<b>6/30/2021</b>	<b>6/30/2022</b>
Estimated Annual Revenue From Base Fee		\$ 134,168	\$ 137,522	\$ 140,961	\$ 144,485	\$ 148,097
Total Target Revenue		\$ 133,094	\$ 136,293	\$ 139,589	\$ 142,986	\$ 146,485
<b>Net Revenue Over/(Under) Budgeted Costs</b>		<b>\$ 1,074</b>	<b>\$ 1,230</b>	<b>\$ 1,371</b>	<b>\$ 1,499</b>	<b>\$ 1,611</b>

**TABLE 7: RATE ADJUSTMENT OPTION #1 BASE RATES FOR FIVE YEARS**

Initial Base Rate Increase and Annual 2.5% Increases in Future Years					
	FY 2018	FY 2019 2% Increase	FY 2020 2% Increase	FY 2021 2.5% Increase	FY 2022 2.5% Increase
Single Family Dwelling (Seville)	\$ 78.00	\$ 79.55	\$ 81.15	\$ 83.20	\$ 85.30
Single Family Dwelling (Yettem)	\$ 78.00	\$ 79.55	\$ 81.15	\$ 83.20	\$ 85.30
Stone Corral School	\$ 82.55	\$ 84.20	\$ 85.90	\$ 88.05	\$ 90.25
Cutler-Orosi Unified School District	\$ 82.55	\$ 84.20	\$ 85.90	\$ 88.05	\$ 90.25
Yettem Learning Center	\$ 82.55	\$ 84.20	\$ 85.90	\$ 88.05	\$ 90.25
Vacancy	\$ 11.05	\$ 11.30	\$ 11.55	\$ 11.85	\$ 12.15
Standby	\$ 11.05	\$ 11.30	\$ 11.55	\$ 11.85	\$ 12.15

**TABLE 8: RATE ADJUSTMENT OPTION #1 AFFORDABILITY INDEX**

Total Monthly Fees and Affordability Index Under Rate Adjustment Option #1			
FYE	Base Fee	MHI	Affordability Index
6/30/2018	\$ 78.00	\$23,000.00	4.07%
6/30/2019	\$ 79.55	\$23,000.00	4.15%
6/30/2020	\$ 81.15	\$23,000.00	4.23%
6/30/2021	\$ 83.20	\$23,000.00	4.34%
6/30/2022	\$ 85.30	\$23,000.00	4.45%

## Rate Adjustment Option #2

In the rate adjustment Option #2, it is assumed the meters be operational and usage fees can be charged. A 15% water use decrease is assumed. The base rate will be lowered for all connections. If Option #1 has been implemented, the decrease in the base rate will be 36%. The Stone Corral School from Seville will be charged a fee equal to the fees being charged to the two schools in Yettem. It should be noted that Stone Corral School is larger than the other two and as usage and meter size have been determined, a larger base fee may be appropriate. A usage charge of \$1.50 per 1,000 gallons (\$0.0015 per gallon) will be charged for all usage. Because the connections have not been previously metered, it is not possible to know what the average residential usage is. For purposes of this analysis an average household usage of 362 gallons per day or 10,860 gallons per month has been assumed.

**TABLE 9: RATE ADJUSTMENT OPTION #2 – COMBINED  
BASE RATE & USAGE FEES**

Seville/Yettem CSD Budget #2, Option #2 Base Plus Usage; Assumes funding CIP reserves \$20k annually; Subsequent Annually Increases of 3.5%	# of active accounts/units	Current Water Fees	Adjustment	Adjusted Rate	Average Monthly Revenue - Water	Average Annual Revenue - Water
<b>Residential</b>			-36%			
Single Family Dwelling (Seville)	86	\$ 73.20	\$ (26.35)	\$ 46.85	\$ 4,028.93	\$ 48,347.14
Single Family Dwelling (Yettem)	63	\$ 73.20	\$ (26.35)	\$ 46.85	\$ 2,951.42	\$ 35,417.09
Stone Corral School	1	\$ 77.47	\$ (27.89)	\$ 49.58	\$ 49.58	\$ 594.97
Cutler-Orosi Unified School District	1	\$ 77.47	\$ (27.89)	\$ 49.58	\$ 49.58	\$ 594.97
Yettem Learning Center	1	\$ 77.47	\$ (27.89)	\$ 49.58	\$ 49.58	\$ 594.97
Vacancy	1	\$ 10.37	\$ (3.73)	\$ 6.64	\$ 6.64	\$ 79.64
Standby	3	\$ 10.37	\$ (3.73)	\$ 6.64	\$ 19.91	\$ 238.92
<b>Total Base Fee Revenue</b>	<b>156</b>				<b>\$ 7,155.64</b>	<b>\$ 85,867.70</b>
<b>Usage Fees</b>	<b>Per 1,000 Gallons</b>	<b>Gallons Used</b>	<b>Less 15%</b>	<b>Adjusted Usage</b>	<b>Billable Gallons</b>	<b>Usage Revenue</b>
Usage Charges (\$0.0015 per gallon)	\$ 1.50	37,659,830	(5,648,975)	32,010,856	32,011	\$ 48,016.28
<b>Total Revenue</b>						<b>\$ 133,883.98</b>
<b>Budget Assuming 3% Inflation per year</b>		<b>6/30/2018</b>	<b>6/30/2019</b>	<b>6/30/2020</b>	<b>6/30/2021</b>	<b>6/30/2022</b>
Total Monthly Required Reserves Fund		\$ 2,095	\$ 2,095	\$ 2,095	\$ 2,095	\$ 2,095
Total yearly required reserve fund		\$ 25,137	\$ 25,216	\$ 25,298	\$ 25,382	\$ 25,468
Debt Service		\$ 2,463	\$ 2,418	\$ 2,373	\$ 2,328	\$ 2,283
Total Fixed Budget		\$ 64,074	\$ 65,996	\$ 67,976	\$ 70,015	\$ 72,116
Total Variable Budget		\$ 41,420	\$ 42,663	\$ 43,943	\$ 45,261	\$ 46,619
Total Budget( Excluding Reserve and Debt Funding)		\$ 105,494	\$ 108,659	\$ 111,919	\$ 115,276	\$ 118,734
<b>Total Budget (Including Reserve Funding and Debt Service))</b>		<b>\$ 133,094</b>	<b>\$ 136,293</b>	<b>\$ 139,589</b>	<b>\$ 142,986</b>	<b>\$ 146,485</b>
		<b>6/30/2018</b>	<b>6/30/2019</b>	<b>6/30/2020</b>	<b>6/30/2021</b>	<b>6/30/2022</b>
Estimated Annual Revenue From Base Fee		\$ 85,868	\$ 88,873	\$ 91,984	\$ 95,203	\$ 98,535
Estimated Revenue From Usage Charges		\$ 48,016	\$ 48,016	\$ 48,016	\$ 48,016	\$ 48,016
Total Revenue		\$ 133,884	\$ 136,889	\$ 140,000	\$ 143,219	\$ 146,551
Total Target Revenue		\$ 133,094	\$ 136,293	\$ 139,589	\$ 142,986	\$ 146,485
<b>Net Revenue Over/(Under) Budgeted Costs</b>		<b>\$ 790</b>	<b>\$ 597</b>	<b>\$ 411</b>	<b>\$ 234</b>	<b>\$ 66</b>

Assuming a 3% annual inflation rate, the above customer rates will not cover all costs in future years. To avoid revenues becoming less than expenses, incremental base rate adjustments are recommended in the table below.

**TABLE 10: RATE ADJUSTMENT OPTION #2 BASE RATES FOR FIVE YEARS**

First Year Base Rate and Incremental Base Fee Increase in Future Years					
	FY 2018	FY 2019 3.5% Increase	FY 2020 3.5% Increase	FY 2021 3.5% Increase	FY 2022 3.5% Increase
Single Family Dwelling (Seville)	\$ 46.85	\$ 48.50	\$ 50.20	\$ 51.95	\$ 53.80
Single Family Dwelling (Yettem)	\$ 46.85	\$ 48.50	\$ 50.20	\$ 51.95	\$ 53.80
Stone Corral School	\$ 49.60	\$ 51.35	\$ 53.15	\$ 55.00	\$ 56.95
Cutler-Orosi Unified School District	\$ 49.60	\$ 51.35	\$ 53.15	\$ 55.00	\$ 56.95
Yettem Learning Center	\$ 49.60	\$ 51.35	\$ 53.15	\$ 55.00	\$ 56.95
Vacancy	\$ 6.65	\$ 6.90	\$ 7.15	\$ 7.40	\$ 7.65
Standby	\$ 6.65	\$ 6.90	\$ 7.15	\$ 7.40	\$ 7.65

**TABLE 11: RATE ADJUSTMENT OPTION #2 AFFORDABILITY INDEX**

Total Monthly Fees and Affordability Index Under Rate Adjustment Option #2					
FYE	Base Fee	Assuming 10,860 Usage Fee	Total Bill	MHI	Affordability Index
6/30/2018	\$ 46.85	\$ 16.20	\$ 63.05	\$23,000.00	3.29%
6/30/2019	\$ 48.50	\$ 16.20	\$ 64.70	\$23,000.00	3.38%
6/30/2020	\$ 50.20	\$ 16.20	\$ 66.40	\$23,000.00	3.46%
6/30/2021	\$ 51.95	\$ 16.20	\$ 68.15	\$23,000.00	3.56%
6/30/2022	\$ 53.80	\$ 16.20	\$ 70.00	\$23,000.00	3.65%

**Rate  
Adjustment  
Option #3**

In the rate adjustment Option #3, the assumptions in Option #2 are carried forward with the exception that the CIP reserve funding has been reduced to \$10,000 annually. To promote equitability, the base rate is lowered more and the consumption fees per gallon are increased. If Option #1 has been implemented, the decrease in the base rate will be 60%. A usage charge of \$2.25 per 1,000 gallons (\$0.00225 per gallon) will be charged for all usage. Subsequent years will require additional base rate increases as outlined in Table 12. It should also be noted that twelve connections have been added since the water usage was measured. Because individual usage has not been previously measured, it is impossible to know what the impact of the additional connections will have on usage. It is assumed usage will increase, resulting in increased revenue. As a precautionary, conservative approach, and to avoid over estimating usage and revenue, the measured usage for the original 74 connections is used in these calculations.



**TABLE 12: RATE ADJUSTMENT OPTION #3 DECREASED  
BASE RATE & INCREASED USAGE FEES**

Seville/Yettem CSD Budget #3, CIP Reserve funding is reduced to \$10k annually. Base rates are decreased by 60% and usage charges are increased to \$2.25 per 1,000 gallons.						
	# of active accounts/units	Current Water Fees	Adjustment	Adjusted Rate	Average Monthly Revenue - Water	Average Annual Revenue - Water
<b>Residential</b>			-60%			
Single Family Dwelling (Seville)	86	\$ 73.20	\$ (43.92)	\$ 29.28	\$ 2,518.08	\$ 30,216.96
Single Family Dwelling (Yettem)	63	\$ 73.20	\$ (43.92)	\$ 29.28	\$ 1,844.64	\$ 22,135.68
Stone Corral School	1	\$ 77.47	\$ (46.48)	\$ 30.99	\$ 30.99	\$ 371.86
Cutler-Orosi Unified School District	1	\$ 77.47	\$ (46.48)	\$ 30.99	\$ 30.99	\$ 371.86
Yettem Learning Center	1	\$ 77.47	\$ (46.48)	\$ 30.99	\$ 30.99	\$ 371.86
Vacancy	1	\$ 10.37	\$ (6.22)	\$ 4.15	\$ 4.15	\$ 49.78
Standby	3	\$ 10.37	\$ (6.22)	\$ 4.15	\$ 12.44	\$ 149.33
<b>Total Base Fee Revenue</b>	<b>156</b>				<b>\$ 4,472.28</b>	<b>\$ 53,667.31</b>
<b>Usage Fees</b>	<b>Per 1,000 Gallons</b>	<b>Gallons Used</b>	<b>Less 15%</b>	<b>Adjusted Usage</b>	<b>Billable Gallons</b>	<b>Usage Revenue</b>
Usage Charges (\$0.00225 per gallon)	\$ 2.25	37,659,830	(5,648,975)	32,010,856	32,011	\$ 72,024.42
<b>Total Revenue</b>						<b>\$ 125,691.74</b>
<b>Budget Assuming 3% Inflation per year</b>		<b>6/30/2018</b>	<b>6/30/2019</b>	<b>6/30/2020</b>	<b>6/30/2021</b>	<b>6/30/2022</b>
Total Monthly Required Reserves Fund		\$ 1,261	\$ 1,261	\$ 1,261	\$ 1,261	\$ 1,261
Total yearly required reserve fund		\$ 15,137	\$ 15,216	\$ 15,298	\$ 15,382	\$ 15,468
Debt Service		\$ 2,463	\$ 2,418	\$ 2,373	\$ 2,328	\$ 2,283
Total Fixed Budget		\$ 64,074	\$ 65,996	\$ 67,976	\$ 70,015	\$ 72,116
Total Variable Budget		\$ 41,420	\$ 42,663	\$ 43,943	\$ 45,261	\$ 46,619
Total Budget( Excluding Reserve and Debt Funding)		\$ 105,494	\$ 108,659	\$ 111,919	\$ 115,276	\$ 118,734
<b>Total Budget (Including Reserve Funding and Debt Service))</b>		<b>\$ 123,094</b>	<b>\$ 126,293</b>	<b>\$ 129,590</b>	<b>\$ 132,986</b>	<b>\$ 136,486</b>
		<b>6/30/2018</b>	<b>6/30/2019</b>	<b>6/30/2020</b>	<b>6/30/2021</b>	<b>6/30/2022</b>
Estimated Annual Revenue From Base Fee		\$ 53,667	\$ 55,814	\$ 58,047	\$ 61,239	\$ 64,607
Estimated Revenue From Usage Charges		\$ 72,024	\$ 72,024	\$ 72,024	\$ 72,024	\$ 72,024
Total Revenue		\$ 125,692	\$ 127,838	\$ 130,071	\$ 133,264	\$ 136,632
Total Target Revenue		\$ 123,094	\$ 126,293	\$ 129,590	\$ 132,986	\$ 136,486
<b>Net Revenue Over/(Under) Budgeted Costs</b>		<b>\$ 2,598</b>	<b>\$ 1,545</b>	<b>\$ 481</b>	<b>\$ 278</b>	<b>\$ 146</b>

**TABLE 13: OPTION #3 BASE RATE FOR FIVE YEARS**

Option #3 First Year Base Rate and Subsequent Base Fee Increase in Future Years					
	FY 2018	FY 2019 4% Increase	FY 2020 4% Increase	FY 2021 5.5% Increase	FY 2022 5.5% Increase
Single Family Dwelling (Seville)	\$ 29.28	\$ 30.45	\$ 31.67	\$ 33.41	\$ 35.25
Single Family Dwelling (Yettem)	\$ 29.28	\$ 30.45	\$ 31.67	\$ 33.41	\$ 35.25
Stone Corral School	\$ 30.99	\$ 32.23	\$ 33.52	\$ 35.36	\$ 37.30
Cutler-Orosi Unified School District	\$ 30.99	\$ 32.23	\$ 33.52	\$ 35.36	\$ 37.30
Yettem Learning Center	\$ 30.99	\$ 32.23	\$ 33.52	\$ 35.36	\$ 37.30
Vacancy	\$ 4.15	\$ 4.31	\$ 4.49	\$ 4.73	\$ 4.99
Standby	\$ 4.15	\$ 4.31	\$ 4.49	\$ 4.73	\$ 4.99

**TABLE 13: OPTION #3 AFFORDABILITY INDEX**

Total Monthly Fees and Affordability Index Under Rate Adjustment Option #3					
FYE	Base Fee	Assuming 10,860 Gallons Per Month	Total Bill	MHI	Affordability Index
6/30/2018	\$ 29.28	\$ 24.30	\$ 53.58	\$23,000.00	2.80%
6/30/2019	\$ 30.45	\$ 24.30	\$ 54.75	\$23,000.00	2.86%
6/30/2020	\$ 31.67	\$ 24.30	\$ 55.97	\$23,000.00	2.92%
6/30/2021	\$ 33.41	\$ 24.30	\$ 57.71	\$23,000.00	3.01%
6/30/2022	\$ 35.25	\$ 24.30	\$ 59.55	\$23,000.00	3.11%

## **Proposition 218**

California approved Proposition 218 in 1996 requiring agencies to adopt property fees and charges in accordance with a defined public process found in article XIII D or by associated court decision. Water and wastewater rates are user fees under the definition and must meet the following requirements:

- Revenues derived from the fee or charge must not exceed the funds required to provide the property-related service.
- Revenue from the fee or charge must not be used for any purpose other than that for which the fee or charge is imposed.
- No fee or charge may be imposed for general governmental services, such as police, fire, ambulance, or libraries, where the service is available to the public in substantially the same manner as it is to property owners.
- The amount of a fee or charge imposed upon any parcel or person as an incident of property ownership must not exceed the proportional cost of the service attributable to the parcel.
- The fee or charge may not be imposed for service, unless the service is actually used by, or immediately available to, the owner of the property in question.

Written notice should be given to both the record owners and customers within the area subject to the fee or charge. The notice shall include the following:

- The formula or schedule of charges by which the property owner or customer can easily calculate their own potential charge.
- The basis upon which the amount of the proposed fee or charge is to be imposed on each parcel. An explanation of the costs which the proposed fee will cover and how the costs are allocated among property owners.
- Date, time and location of a public hearing on the rate adjustment. The public hearing must occur 45 or more days after the mailing of the notice.

California's Proposition 218 provides that a customer of the CSD or owner of record of a parcel or parcels subject to the proposed rate increases, may submit a protest against any or all of the proposed rate increases by filing a written protest with the CSD at or before the time the public hearing has concluded. Only one protest per parcel is counted. If written protests are filed by a majority of the affected parcels, the proposed rate increases will not be imposed.

## **Conclusions and Recommendations**

Key points to remember with any rate adjustment:

- Successful utilities are those that strive to be transparent. In day-to-day operations, the CSD should strive to promote its services (highlights and the low points), and continuously educate residents on why it is necessary to raise and adjust rates.
- The ability of the current rate structure to generate adequate revenue will depend on maintaining a vigorous collection and shut-off policy to keep delinquent accounts at a minimum.
- In order to achieve and maintain long-term viability, a water system should review its rates annually, or no less than a minimum of every two years. Keeping track of customer seasonal and annual water demands will help determine operation's needs, budget forecasts and rate adjustments.
- When meters have been installed and individual connection usage has been documented for twelve to eighteen months, the CSD should consider implementing a rate structure with tiered usage charges to encourage conservation

- The CSD should designate reserve funding in its accounting records according to what purposes the board designates.

# **Attachment “C”**

Commercial Base Rate – Addendum to the Seville Water Company and Yettem Combined CSD  
Water Rate Analysis



# RESOURCE MANAGEMENT AGENCY

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Sherman Dix      Fiscal Services

REED SCHENKE, DIRECTOR

MICHAEL WASHAM, ASSOCIATE DIRECTOR

**DATE: JULY 3, 2019**

**TO: ALL INTERESTED PARTIES**

**FROM: *RM* ROSS MILLER, P.E. – CHIEF ENGINEER**

**SUBJECT: COMMERCIAL BASE RATE – ADDENDUM TO *THE SEVILLE WATER COMPANY AND YETTEM COMBINED CSD WATER RATE ANALYSIS***

This serves as an addendum to *The Seville Water Company and Yettem Combined CSD Water Rate Analysis* for 2” commercial base rate for metered rates. At the time of the rate study, the only rates analyzed were for single family dwelling, school, vacancy, and standby and did not include a rate for commercial customers. At the present time, there are no commercial connections but staff has received inquiries for a commercial connection in the near future in the community of Seville. Commercial water meters are typically larger than the single family dwelling and their flow capacity is greater, therefore agencies typically establish a higher base rate for these customers.

Rates for 2” meters were reviewed for communities in Tulare County. 2” meters rates were found to be between 3.19 and 4.23 times the rate of a 1” meter. Based on these findings and industries standards, this review found a 2” commercial meter rate should be three times the 1” single family dwelling meter rate for the communities. A flat rate for commercial connections has not been analyzed and future commercial connection will require a metered connection. The usage charge will remain the same as Rate Adjustment Option #2 from Seville Water Company and Yettem Combined CSD Water Rate Analysis.

## **2” COMMERCIAL METER BASE RATE FOR FIVE YEARS**

<b>Incremental Base Fee Increase in Future Years</b>					
	FY 2019	FY 2020 3.5% Increase	FY 2021 3.5% Increase	FY 2022 3.5% Increase	FY 2023 3.5% Increase
2" Commercial meter	\$ 145.50	\$ 150.60	\$ 155.85	\$ 161.30	\$ 166.95

The incremental base fee in future years are to adjust for inflation factors discussed in the rate study.

RM:rs