

Wheeler Crest Community Services District
129 Willow Road
Swall Meadows, CA 93514



April 19, 2019

Price Increase for Unconnected lateral in 2020 and Public Hearing Notice

«Name» APN = «APN»
«Mailing_Address»
«Mailing_City» «St» «Zip»

The Wheeler Crest Community Services District has always prided itself in running a cost-efficient operation providing an essential, reliable service while respecting a natural resource that is not unlimited.

Although WCCSD is financially strong and solvent, there has not been an increase in your rates since 1992. E.g. the past 27 years. As the system matures, we have experienced rising maintenance costs, increases in the services required to keep the system up and running and new regulatory changes that require additional water testing and system upgrades.

Therefore, the WCCSD Board of Directors (BOD) felt that it is financially prudent to propose the following increase. As the owner of record for one or more “unconnected lateral” parcels, you are being charged at a much lower rate than those parcels who are currently receiving water from the system. The “connected lateral” fee was already increased last fiscal year (effective 7/1/2018).

As a review, your parcel being within the Lower Swall Meadows Water System (LSMWS) “zone of benefit”, will be provided active water service upon your request. The following requirements apply before water can be served. An approved water meter will need to be installed (by you) and inspected by WCCSD. Any delinquent or past due assessments, fees, or interest must be paid-off in full. There is also a one-time connection fee of \$1,500 and then water service (will-serve letter) will be provided. Your parcel will then be subject to the “connected lateral” rate which is currently \$508 annually.

The new annual assessment for “unconnected laterals” will be:

Rate Increase: Your current assessment is \$16 monthly or \$192 annually. The proposed new rate will be an increase to **\$19 monthly** or **\$228 annually**. An increase of \$3 monthly or \$36 annually.

Effective Date: This proposed increase will take effect for the fiscal year starting July 1, 2019 that will be reflected on your Mono County Property Tax Bill in the fall of 2019. For a more detailed explanation of the basis for this increase, please refer to Attachment 1.

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Annual cost of Living Adjustment: Effective fiscal year 2020-2021, for 5 years, there will be an annual cost of living adjustment based on the change in the consumer price index (CPI-U) in the previous fiscal year. Each year, the BOD will review the consumer price index to determine whether any adjustment is appropriate. Before the 5 years expires, the BOD will re-evaluate this policy to determine whether it should stay in effect for another 5 years. At least 30-days prior to any adjustment being assessed, the District will provide parcel owners notice of the planned adjustment. Please refer to Attachment 2 for price projections through 2025. This is just an approximation based on 1.63% which was the CPI-U at the end of 2016-2017 fiscal year.

Public Hearing: On **Saturday, June 15, 2019, 2:00 p.m.** at the firehouse at 129 Willow Rd., there will be a public hearing where the BOD will present a budgetary overview and the public will be given an opportunity to ask questions. At the conclusion of the Public Hearing, a vote of the parcel owners will be taken on the proposed rate increase for fiscal year 2019-2020 and the proposed annual cost of living increase starting in fiscal year 2020. If a majority of parcel owners (each parcel receives one vote) cast their vote in opposition of the proposed increases than the proposed rate increases will not be implemented. If you cannot attend the public hearing, your support or opposition can be presented in writing to the Board of Directors at the address listed at the top of this notice. All correspondences must be received prior to the meeting to be included in the vote.

The BOD believes it has followed Proposition 218 of the California Constitution which requires that water rates cannot be “arbitrary and capricious,” meaning that the rate-setting methodology must be sound. For a complete explanation or justification of the rate increase, please refer to Attachment 1 or the basis for the rate increase.

Other future financial impacts affecting WCCSD.

Reservoir 1 painting – It is a state requirement that we inspect our above ground steel 100,000 gallon reservoir located on Rimrock Dr. every 5 years. This was accomplished on schedule and the good news is that internal and external paint samples indicated that there are no heavy metals or pollutants present. Unfortunately, the visual inspection of the inside of the tank showed extensive peeling of the paint from the tank walls. Although not urgent, the tank will need to be taken out of service, drained, all the old paint removed, sand blasted and re-painted. Estimates have been received and the cost will be covered by our reserves. E.g. no special assessment will be required. Work is scheduled to begin in 2020. Pictures taken during the inspection of the inside of the tank will be presented at the public hearing.

Sustainable Ground Water Management Act (SGMA) - In 2014, the State of California passed SGMA. WCCSD is impacted by being within the boundaries of the Owens Valley Groundwater Basin (OVGB). The intent of this legislation is to prevent over pumping of groundwater that has caused water tables to recede, wells to go dry, and salt water encroachment into fresh water reservoirs. The drought experienced by California had an obvious impact on the over pumping that was experienced in various regions within State. Therefore, each groundwater basin rated medium or high must develop a groundwater sustainability plan (GSP). OVGB is rated medium so therefore a plan is required. WCCSD is mandated by law and is participating with numerous other entities in the building of the

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GSP. The initial budget to produce the GSP as developed by the Joint Powers Authority (JPA – those entities participating in building the GSP is \$865,915. The Mono County Board of Supervisors have been essential in their support and financial assistance to WCCSD as our participation in a Joint Powers Agreement (JPA) between all the OVGB participants. WCCSD's portion of the costs as a funding participant in the building of the GSP is \$67,962 over 3 years or \$22,654 per year. Again, with the significant financial assistance that was approved by the Mono County Board of Supervisors spearheaded by Fred Stump our Mono County District Supervisor and the balance of the funds taken out of our reserves, no special assessment is required. Additional financial assistance from a grant that is was subsequently approved for \$713,155 by the State of California's Department of Water Resources Board. However, this Grant does not cover all costs anticipated in building the plan. E.g. additional funds will most likely be required to build reserves or if project overruns are experienced. OVGA meetings are held monthly and WCCSD (as a voting member on the BOD) has had a representative in attendance at every meeting.

As a result of the GSP and changes mandated by its findings there may have significant current and future budgetary impact which is not accounted for in the proposed fee increase. A more detailed overview will be presented the public hearing. For more immediate information you can visit our website at <http://wheelercrestcsd.org>. Or for a complete, detailed explanation of SGMA, visit the State's website at: <http://water.ca.gov/groundwater/sgm/>

In Summary: The WCCSD Board of Directors voted unanimously that these price increases are necessary. We are looking forward to hearing your thoughts at the public hearing and if you would like any other topics added to the agenda simply email us. That will give us time to prepare any presentation material that might be helpful. Of course, any additional questions you may bring up at the meeting are welcome. You can contact any one of the Directors in advance if you have any questions. Complete contact information can be found on our website at: <http://wheelercrestcsd.org>

Glenn Inouye
Wheeler Crest Community Service District – Chairman
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760 914-0405

Attachments:

- Attachment 1 – Basis for budget Increase
- Attachment 2 - Annual Assessment Projection through 2025

CC: Fred Stump – Mono County District Supervisor
Jason Canger – Mono County Legal Council

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Attachment 1

Basis for Budget Increase

The Board of Directors are taking steps to ensure that WCCSD remains financially strong and solvent. The following is a summary of our current financial status and the basis for the budget increase.

Background on process - As a Community Services District of Mono County, we rely on Mono County to perform many of our financial services. They maintain our general account and collect and post the annual assessment fees from your local property tax bill. Other sources of income (such as excess use fees from “connected laterals”) are deposited to our account by our request. All distributions from our general account must be requested in writing by authorized members of the BOD (generally our Treasurer) according to a process known as “warrant requests”. Dual signatures are required. We do have a checking account from a local bank that we use when it’s necessary to make payments quickly. The warrant process sometimes takes a little longer. Based on the timing of the request, writing a check is sometimes preferred to avoid being assessed late charges.

Current Assets

- As of April 8, 2019
- General Account Balance \$ 143,875
- Checking Account \$ 412

Liabilities

- As of April 8, 2019
- Well 5 Loan balance \$46,100
 - o Annual Paydown \$20,118 (\$10,059 twice per year)
 - o Final Payment 7/26/2021

Income Projection (Without increase)

Income projection is based on those funds that can be reliably predicted as a source of income in future years. Primarily our annual assessment of inactive or active laterals / parcels.

	No.	Annual Assessment	District Total
Inactive Laterals	43	\$192	\$8,256
Active Laterals	43	\$508	\$21,844
Total Annual Projected Income			\$30,100

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Other income sources not included in the \$30,100 figure are:

- Connection fees – a one-time connection fee of \$1500 when a parcel moves from an unconnected lateral to a connected lateral to begin water service. Due to the unpredictability of when and how much this will occur makes it unreliable. This has occurred five times within the past ten years.
- Excess use fee – It is predictable that some will occur. But the amount has been decreasing each year where most recently, total excess use fees have dropped below \$2,000 per year.
- Interest – Is variable based on a Federal inflation index. Interest rates have been so low in recent years that it doesn't seem prudent to add the small amount as part of guaranteed income amount.

Non-Discretionary Expenditures Projection

Approach – Approximately four hundred individual transactions or expenditures from 2007 through 2017 were placed into budget categories. The following are averages based on those transactions. These expenditures are necessary for the daily operation of the system and are considered non-discretionary spending.

Association Dues	\$1,000
Bank / Audit Fees	\$426
Education / Travel	\$250
Insurance	\$2,400
Operator Fees / Operation	\$3,600
Maintenance	\$1,500
Supplies	\$350
Utilities / Electricity	\$3,500
Water Testing – Minor	\$1,200
Communication	\$250
Total	\$14,476

Discretionary Expenditures or Major Projects Projection

These are anticipated, regulatory or maintenance expenditures that are required but not on an annual basis. Some are capital assets. As an example, if an event is required every 20 years like replacing a well pump, then that cost is amortized over the 20 years and that yearly amount should be placed into reserves. Some are scheduled maintenance items such the inspection of our above ground metal reservoir which is mandated by the State every 5 years. Each year, 1/5 of the cost should be placed in reserves to fully fund the cost of the inspection when it is scheduled to occur.

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The following is a list of anticipated discretionary expenditures.

	Cost	Yrs	Annual Ammortization
Well 2 Pump replacement	\$26,287	20	\$1,314
Well 4 Pump replacement	\$30,512	20	\$1,526
Well 5 Pump replacement	\$26,969	20	\$1,348
Reservoir 1 Tank inspection	\$5,000	5	\$1,000
Reservoir 1 Outside Maintenance	\$25,000	20	\$1,250
Reservoir 1 Inside Maintenance	\$40,500	20	\$2,025
Regulatory changes (OSHA)	\$20,000	15	\$1,333
Reservoir 2 Maintenance	\$30,000	20	\$1,500
CLA valve Maintenance	\$2,000	15	\$133
Delivery System Major Repair	\$50,000	15	\$3,333
Water Testing Major	\$10,000	12	\$833
Total Annual Discretionary Spending			\$15,595

Annual Income with Proposed Increase

The following is a projection of the annual income with the proposed annual fee assessment increase.

	Number of parcels	Annual Fee		Fee Totals		Net Increase
		Current	Proposed	Current	Proposed	
Unconnected Laterals	43	192	228	\$ 8,256	\$ 9,804	\$ 1,548
Connected Laterals	43	508		\$ 21,844	\$ 21,844	
				\$ 30,100	\$ 31,648	\$ 1,548

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Comparison between current budget and proposed budget (with increase).

The following is a budget projection with and without the proposed increase.

	Without Increase	With Increase
Income Amount	\$ 30,100	\$ 31,648
Non-Discretionary Spending	\$ 14,476	\$ 14,476
Remaining Balance	\$ 15,624	\$ 17,258
Major Projects Allocation	\$ 15,595	\$ 17,172
Year-end Balance	\$ 29	\$ 1,548

Without the proposed increase, the District will work with a budget leaving only \$29 for any unforeseen costs or emergencies. Any funds remaining at the end of the fiscal year will be moved into reserves for future emergencies annual budget where reserves will be depleted as Major Projects continue to be required.

Assumptions:

- The annual fee increase does not eliminate the possibility or need of a special assessment in the future.
- No line items in the budget for a well replacement since a well failure is not anticipated. e.g. where a well no longer is productive and must be retired and replaced. A special assessment would most likely be needed.
- Assumes no changes in our existing lead operator as well as no projected increase in operator fees.
- Assumes no changes to our Treasury functions being performed by a member of our Board of Directors. E.g. no outside services required.
- Does not include any increases in audit fees. Changes in the outside agency and rising costs that might be required by Mono County to increase their fees for an independent audit after 2018.
- No inflationary costs are taken into consideration. All costs are based on historical averages since 2007.
- Reservoir 1 will require maintenance and will be paid out of our current reserves.
- If several major projects happen to occur at the same time, this would require the need for a special assessment.
- This increase does not eliminate the need for future increases as additional studies and future costs are identified.

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California Constitution – Article XIII D, Section 6 - Proposition 218

Proposition 218, reflected in the California Constitution as Article XIII D, was enacted in 1996 to ensure that rates and fees are reasonable and proportional to the cost of providing service. The principal requirements for fairness of the fees, as they relate to public water service are as follows:

1. A property-related charge (such as water) imposed by a public agency on a parcel shall not exceed the costs required to provide the property related service.
2. Revenues derived by the charge shall not be used for any purpose other than that for which the charge was imposed.
3. The amount of the charge imposed upon any parcel shall not exceed the proportional cost of service attributable to the parcel.
4. No charge may be imposed for a service unless that service is actually used or immediately available to the owner of property.
5. No fee or charge may be imposed for general governmental services including, but not limited to, police, fire, ambulance or library services, where the service is available to the public at large in substantially the same manner as it is to property owners.
6. A written notice of the proposed charge shall be mailed to the record owner of each parcel at least 45 days prior to the public hearing, when the agency considers all written protests against the charge.

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Attachment 2

Annual Assessment Projection through 2025

- Projection figures for 2019-2020 include proposed increase of annual assessment.
- Projection figures from 2020-2021 through 2024-25 is an estimate based on 1.63% which was the CPI-U change for fiscal year 2016-2017.

Fiscal Year July 1 st – June 30th	Unconnected laterals	
	Annual assessment per Parcel	Annual Increase per Parcel
Current	192	
2019-20	228	36
2020-21	232	4
2021-22	236	4
2022-23	240	4
2023-24	244	4
2024-25	252	4