

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



April 15, 2018

Price Increase for 2019 and Public Hearing Notice

«Name»

«APN»

«Mailing_Address»

«M_911_No» «M_911_Street»

«Mailing_City», «St» «Zip»

The Wheeler Crest Community Services District (WCCSD) would like to thank all of you in your efforts in reducing our water consumption during the drought years. WCCSD 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 25 years. As the system matures, we have experienced rising maintenance costs in addition to the normal increase of all services required to keep the system up and running.

Therefore, the WCCSD Board of Directors (BOD) felt that it is financially prudent to propose the following increases to your water service. As a “connected lateral” where you are currently being provided water service, the new annual assessment will be as follows:

Rate Increase: Your current rate is \$35 monthly or \$420 annually. The proposed new rate will be an increase to \$42.33 monthly or \$508 annually. An increase of \$88 annually.

Effective Date: This proposed increase will take effect for the fiscal year starting July 1, 2018 that will be reflected on your Mono County Property Tax Bill in the fall of 2018. For a more detailed explanation of the basis for this increase, please refer to Attachment 1.

Excess use fees: For connected laterals that use over their 15,000 gallon allotment per month, the current excess use fee schedule will remain in effect as is. I.E. **will not change**.

Annual cost of Living Adjustment: Effective fiscal year 2019-2020, 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. After 5 years (2024), the BOD will re-evaluate this increase 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 2024 although it 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 9, 2018, 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 will be taken on the proposed rate increase for fiscal year 2018-2019 and the proposed annual cost of living increase

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starting in fiscal year 2019-2020. 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 will begin in either later 2018 or 2019. Pictures taken during the inspection of the inside of the tank will be presented at the public hearing.

Sustainable Ground Water Management Act - 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 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 being issued by the State of California’s Department of Water Resources Board has been submitted by the OVGB JPA and has been initially approved for \$713,155. Although the Grant has been approved, the reimbursement process and the amount of reserves that might be required by the OVGA is still being determined.

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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
wccsd.info@gmail.com or ghinouye1@gmail.com
760 914-0405

Attachments:

- Attachment 1 – Basis for budget Increase
- Attachment 2 - Annual Assessment Projection through 2024

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 insure 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) are deposited to our accounts 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 11, 2018
- General Account Balance \$ 146,729
- Checking Account \$ 804

Liabilities

- As of February 15, 2018
- Well 5 Loan balance \$52,670
 - o Annual Payment \$20,118 (\$10,059 twice per year)
 - o Final Payment 7/26/2021

Income Projection

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 | \$420 | \$18,060 |
| Total Annual Projected Income | | | \$26,316 |

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Other income sources not included in the \$23,316 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 in 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.

| | No | Proposed Amount | Increase per parcel | Proposed Total | Net Increase |
|-------------------|----|-----------------|---------------------|------------------|----------------|
| Inactive laterals | 43 | \$ 192 | \$ 0 | \$ 8,256 | \$ 0 |
| Active laterals | 43 | \$ 508 | \$ 88 | \$ 21,844 | \$3,784 |
| Total | | | | \$ 30,100 | \$3,784 |

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 | \$ 26,316 | \$ 30,100 |
| Non-Discretionary Spending | \$ 14,476 | \$ 14,476 |
| Remaining Balance | \$ 11,840 | \$ 15,237 |
| | | |
| Major Projects Allocation | \$ 15,595 | \$ 15,595 |
| Year-end Balance | (\$ 3,755) | \$ 29 |

Without the proposed increase, the District will work with a negative \$3,755 annual budget where reserves will be depleted as Major Projects continue to be required.

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Assumptions:

- The annual fee increase does not eliminate the possible need of a special assessment in the future.
- Figures do not include the annual \$20,118 well 5 loan payment due until 7/2021. The well 5 existing loan balance will be paid out of the current reserves.
- 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 projected 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.
- The unconnected lateral fee will not change. In accordance with Prop 218, a California certified engineer must perform an assessment of the special benefit of those parcels that are currently not being provided water service. Once this assessment is completed, it may affect the connected lateral fee where it may decrease or increase.

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.

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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.

Attachment 2

Annual Assessment Projection through 2024

- Projection figures for 2018-2019 include proposed increase of annual assessment.
- Projection figures from 2019-2020 through 2023-24 is an estimate based on 1.63% which was the CPI-U change for fiscal year 2016-2017.
- Assumes \$192 cost for unconnected laterals will remain constant for the purposes of the District totals.

| Fiscal Year July 1 st – June 30th | Connected laterals | | District | |
|--|------------------------------|----------------------------|----------|--------------|
| | Annual assessment per Parcel | Annual Increase per Parcel | Total | Net Increase |
| Current | 420 | | 26,316 | |
| 2018-19 | 508 | 88 | 30,100 | 3784 |
| 2019-20 | 516 | 8 | 30,444 | 344 |
| 2020-21 | 524 | 8 | 30,788 | 344 |
| 2021-22 | 533 | 9 | 31,175 | 387 |
| 2022-23 | 542 | 9 | 31,562 | 387 |
| 2023-24 | 551 | 9 | 31,949 | 387 |