

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 1st and ends June 30th 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.