



Financial Analysis Prepared for the Allegheny County Water District

**Rural Community
Assistance Corporation**



Prepared by:
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Corporation

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October 1st, 2021

Emma Blankenship
State Water Resources Control City Council - Division of Financial Assistance
1001 I St. 16th Floor
Sacramento, CA 95814

Subject: Alleghany County Water District Rate Study
AR 6165-C

Dear Emma,

Enclosed please find the printed final report for Alleghany County Water District (ACWD) rate study recommendation.

The report will be presented to the community, and subsequently to the board of directors for approval.

If you have any additional questions, feel free to contact Sarah Bixler at (916) 926 1468.

Sincerely,

Ari Neumann

Ari Neumann
RCAC, Director
Community & Environmental Services

Enclosure: Alleghany County Water District Water Financial Analysis

CC: Rae Bell Arbogast, General Manager, Alleghany County Water District
PO Box 860 Alleghany, CA 95910

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1. Executive Summary

In an effort to ensure the financial sustainability of the Allegheny County Water District (ACWD), RCAC was approached by the State Water Board to assist the district in completing their TMF requirements for their construction application. This included a drinking water rate study for the district. RCAC started working with the district in August of 2020.

Although Allegheny raised rates in 2016, the district is still not financially solvent with the new rates. Rates must be increased soon, in order to ensure the district maintains eligibility status for its anticipated State Revolving Fund project under State Revolving Fund to reconfigure the district's facilities to accommodate the new classification of ground water.

This study's objective is to identify sustainable, equitable, and justifiable rates ACWD could charge for drinking water in its service area. The following study includes one final rate recommendation for ACWD water utility service (page 16-19).

This study's goal is to produce a balanced budget for the next five years as well as positive cash flow for each of the next five years. RCAC recommends a gradual increase in rates so that the system is financially viable, without causing undue burden on the customers. Therefore, the district is short in targeted reserves in the first year. Within the five years, the district will meet its overall reserve targets and cash flow will remain positive for all five years.

The proposed rate structure is compliant with the most recent interpretation of Prop 218.

Overall, the recommended rates are sufficient to sustain the system in the short-term and long-term.

2. Introduction

Rural Community Assistance Corporation

Founded in 1978, RCAC provides training, technical, and financial resources, and advocacy so rural communities can achieve their goals. Since 1978, our dedicated staff and active board, coupled with our key values: leadership, collaboration, commitment, quality, and integrity, have helped effect positive change in rural communities across the West.

RCAC's work includes environmental infrastructure (water, wastewater, and solid waste facilities); affordable housing development; economic and leadership development; and community development. These services are available to communities with populations of fewer than 50,000, other nonprofit groups, Tribal organizations, farmworkers, Colonias, and other specific populations. Headquartered in West Sacramento, California, RCAC's employees serve rural communities in 13 western states and the Pacific islands.

Purpose of the Rate Analysis

In this study, RCAC seeks to address several factors. The first is to present Alleghany County Water District (ACWD) with options on how to use rates to fund future projects in the drinking water systems.

This analysis seeks to establish revenue sufficient to cover the reserves required to operate and maintain the existing infrastructure of the water system, as well as fund the debt, emergency, and capital reserves.

This was accomplished through the recommended rates and rate structure, and the development of a capital replacement plan for the district. The capital replacement program considers each asset's estimated remaining life, the estimated future cost of replacing it, and the system's contributions required of each asset's future cost based on grants/loans.

Guiding Principles of this Rate Study

RCAC has been elected to follow the below guiding principles on all rate analyses.

- Sustainable – Recommended rates should consider all factors possible to ensure the long-term financial viability of the utility.
- Equitable – All customers should be treated equitably in the rate study. This means those customers demanding more from the system are charged accordingly.
- Justifiable – Proposed rates should be backed up by numbers and data. They should be able to withstand scrutiny.
- Conservation – In California, water conservation is an important part of responsible resource management. However, according to the Capistrano interpretation of Prop 218, rates cannot be used in an effort to promote conservation.

Board Responsibilities

While this document recommends certain rates, the ultimate decision rests with ACWD Board of Directors. However, the board has a fiduciary responsibility to set the rates at such a level that the district will be able to continue to operate in the future, including providing funds to replace all parts of the system as they wear out.

The ACWD Board of Directors is responsible for:

- Providing safe drinking water to the communities they serve.
- Ensuring compliance with all regulations pertaining to the management of water facilities.
- Providing for the financial sustainability of the system through appropriate rates.
- Monitoring system management including financials.

Disclaimer

The findings, recommendations and conclusions contained in this financial analysis are based on financial information provided to RCAC by the ACWD staff and board members. Although reasonable care was made to ensure the reliability of this information, no warranty is expressed or implied as to the correctness, accuracy or completeness of the information contained herein.

Any action taken on the basis of such findings, recommendations or conclusions is undertaken at the ACWD Board of Directors' discretion. In no event will RCAC or its partners, employees, or agents, be liable for any decision made or action taken in reliance on the information contained in this analysis.

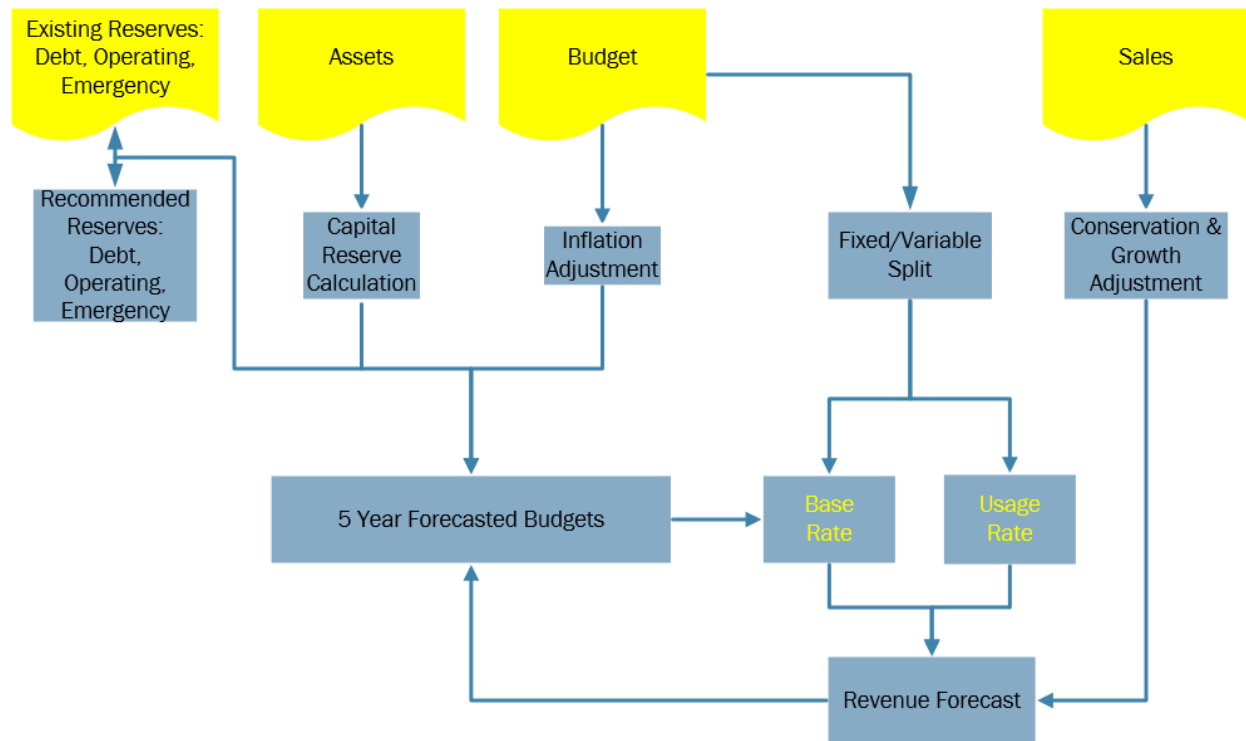
RCAC is an equal opportunity provider and employer.

3. Rate Study Process

The figure¹ below explains the process of setting rates.

We begin with the list of all existing reserves, capitalized assets, the current budget, and the current sales history as provided by district staff.

Rate Setting with Water Meters



From the assets list the required reserves are calculated (Section 6) and fed into a five-year budget projection (Section 7).

The budget is adjusted for inflation, estimated to be two-point nine percent (2.9%) per year.

The number of customers is adjusted for unpaying customers, undeveloped lots and future water conservation and community growth.

The budgeted expenses are split between fixed and variable costs, which lead to a recommended base rate and usage charges.

The calculated rates are then applied to the forecasted sales, to arrive at a revenue estimate.

¹ All yellow fields and cells in the figures and exhibits of this report are based on external data. All blue fields or cells are calculated.

With input from staff and RCAC, this process was repeated several times to provide multiple rate options, at an acceptable rate that would balance the forecasted budget.

In September 2021, RCAC met with ACWD staff and reviewed the data and discussed the rate options. With the guidance of RCAC, district staff would like to consider the rates recommended in this report.

4. System Basic Statistics

Community

Alleghany County Water District (CA4600012) operates and maintains a water distribution system for residents in the community of Alleghany California. Alleghany is a census-designated place in Sierra County, California, United States. The system serves 58 customers, and the population is 83. Established in 1857, Alleghany is one of California's oldest and most historical mining towns.

Alleghany has a median household income (MHI) of \$18,996 according to an RCAC MHI survey in 2016, and is currently classified as a small, disadvantaged community.

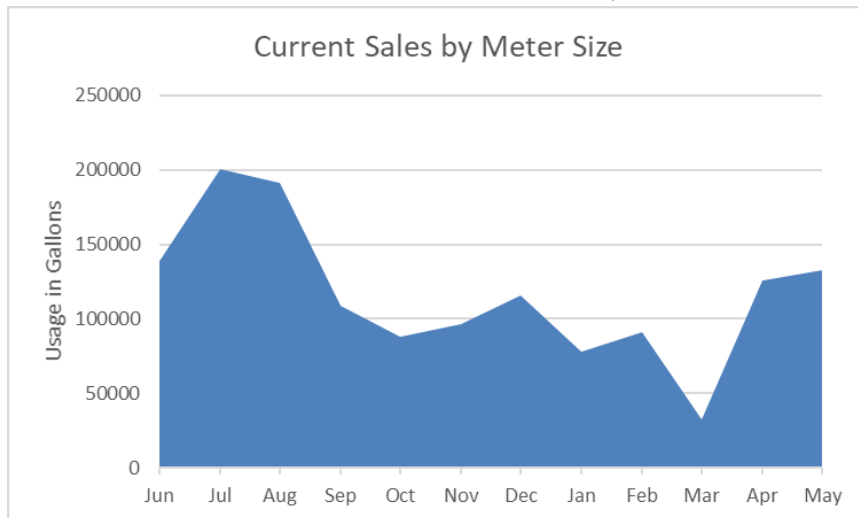
System Description

ACWD's sole water source is groundwater from Ram Spring. The system consists of spring collection pipes from Ram Spring, a 1000-gallon storage tank, two pumps, and a 100-micron cartridge filter that leads up to a 150,000-gallon storage tank. The water is then gravity fed to the distribution system.

ACWD completed drilling in 2017 at the spring source to convert the springs to horizontal wells to change the source from the previously classified "groundwater under the direct influence of surface water" to the current "groundwater" classification. The previous surface water treatment plant is no longer in use, and the district uses the previously existing 100-micron filter as a precaution and provides continuous chlorination. Ram Spring is the single drinking water source. However, the community hopes to build redundancy and tap into another local spring. The spring and pumphouse are at 109 Main Street Alleghany, CA 95910.

5. Current Financial Condition and Analysis

Current Water Service Production and Consumption



Due to seasonal changes, there is a fluctuation of usage in Alleghany throughout the year. In the summer months there is an average of 176,987 gallons of usage. Compared to the summer months, the average usage in the winter is 82,032 gallons less. Peak usage from this 2019 to 2020 data, was 200,788 gallons is in July. The minimum water usage was in March and was 32,651 gallons.

Current Rate Structure

The current water rates are shown in the 2016 Rate Information document (Exhibit 5).

ACWD currently uses a tiered block rate and has only one standard class for all customers. The current rate structure includes a base rate and a usage charge that changes as the quantity of water consumed increases.

Currently, customers are charged a basic monthly charge of \$40.00 for the first 8,000 gallons of water for all metered services. A charge of \$3.00 is for every 1,000 gallons or portion thereof for any water used beyond the first 8,000 gallons.

Additional Fees

Currently, Alleghany has two additional fees associated with the water system (see Exhibit 5). The following fees were not evaluated in this rate study. Revenue from these additional fees was not included in the budget.

There is a reconnection charge. A reconnection charge, together with the account balance and an amount equal to ten percent (10%) of the account balance at the time of shut-off is collected prior to renewing service following a discontinuance of service. The reconnection charge is \$50 for a period of 1 to 40 days, and \$150 for a period of 41 to 180 days. For discontinuation exceeding 180 days the reconnection fee is \$300.

There is also a delinquency fee. Ten percent (10%) will be added to rates and charges if they are not paid on or before the first day of the calendar month after the due date (see Exhibit 5 for more information).

Current Water Rate Structure

Meter Size	Monthly Base Rate	Usage Tiers per 8,000 gallons	
0.625"	\$40.00	8,000 included	\$3.00 for 8,001 to over 100,000

This rate structure is not compliant with Prop 218.

Proposed Rate Structure

While ACWD currently bills customers based on a tiered block rate, and water usage, we recommend that the utility move to a uniform block rate. Based on the uniform block rates, all customers will have the same base rate depending on the customer's meter size. (Note: Although all customers in ACWD have the same meter size, this rate structure allows the district to charge customers with larger meters a rate proportional to their meter size. Customers with large water meters could potentially draw a more substantial volume of water. Therefore, they should pay a proportionally higher share of the fixed costs of the system).

The proposed base rate does not include any base volume of water as it does now. The new rate structure will be compliant with California Prop 218 law and will no longer include the first 8,000 gallons in the base rate.

Adjustments, Future Population and Receivable Write Off

This analysis considered factors of conservation or community growth and its effect on consumption. The board expects ACWD customers to change their patterns in conservation over the next five years. However, the board does not expect the population to grow and bring in more customers to the water utility over the next five years. The district also considers about zero-point two percent (0.2%) of receivable write-off each year.

Sales adjustment over base-year	Year 1	Year 2	Year 3	Year 4	Year 5
Conservation factor	10.0%	8.0%	7.0%	6.0%	5.0%
Community Growth factor	0.0%	0.0%	0.0%	0.0%	0.0%
Total sales adjustment	10.0%	8.0%	7.0%	6.0%	5.0%

Receivable write off (% of billing)	0.20%	0.20%	0.20%	0.20%	0.20%
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6. Capital Replacement Program

Source of the Data

The data in the Capital Replacement Program (CRP) comes from the data supplied by the district staff and industry standards (Exhibit 1).

The components list, their installation date, and their original costs were all supplied or estimated by district staff.

The normal estimated life is based on industry standards or district knowledge.

The estimated remaining life is based on the best judgment of the water operator, district staff and RCAC.

Sources of Funding

Funding replacement components can only come from cash saved by the district, a grant, or a loan. Currently, the possibility of ACWD obtaining a grant in the near future is high, but due to changing funding streams, access to grants may change in the future.

With the current funding information, ACWD may qualify for grants provided by various governmental agencies, but it will also need to build up cash reserves. It is assumed that the replacement of smaller capital assets valued less than \$10,000 will be two percent (2%) funded with cash, and ninety eight percent (98%) funded by grant. Funding for the replacement of larger capital assets will be funded with a combination of cash, grants, and loans as shown in the table below.

Default Funding of CRP

Replacement Value	From	To	Cash	Grant	Loan
	\$0	\$10,000	2%	98%	0%
	\$20,001	\$100,000	2%	98%	0%
	\$100,001	\$500,000	2%	98%	0%
	\$500,001	\$9,999,999	2%	98%	0%
	\$10,000,000	\$9,999,999	2%	98%	0%

CRP Description

The CRP provides us with a detail of the reserves needed to replace the existing, funded, and future unfunded capital assets. This means the reserves have accounted for receiving grants and loans to offset the district costs. However, there will also be assets that will need to be fully funded or partially funded by the district to replace or refurbish. The district determined a capitalization threshold of \$2,500. This means every asset under \$2,500 is included in the regular budget as “system repair and maintenance.”

The annual reserve required column of the CRP table (asset inventory: \$2,408) is the amount ACWD must put aside to be able to replace the assets listed when they reach the end of their life expectancy. The total annual reserve amount decreases slightly after the first year, due to several initial asset replacements. This can be seen in the five-year budget, where after the first year the annual capital replacement reserve amount decreases to \$1,730 (Exhibit 2).

Alternative

If the water system decides not to fund the annual capital reserve requirement, the system will have to come up with these amounts from other sources, or from steeper rate increases in future years. The system cannot count on the future generosity of the state or other government sources to provide any grants in addition to those shown in the table above.

It will require an effort of board and district staff to obtain these grants. The amount of grants obtained for future projects has a very substantial impact on water rates. Therefore, this study recommends a new rate study every five years.

7. Budget

Current Budget

All expenses shown in the Five-Year Forecasted Budget (Exhibit 2) were provided by the district staff as their current approved budget. The data comes from the budget as shown in Exhibit 2. For this study, each budget line item was separated into operations and maintenance expenses, and general and administration expenses. RCAC recommends the budget be separated into two funds to meet Governmental Accounting Standards Board (GASB) standards.

The capital replacement reserves were calculated in the previous section.

The cash revenue shown is a calculated number based on:

- Water rates recommended in this report
- The number of paying customers
- An annual inflation factor of two-point nine percent (2.9%)
- A conservation factor and growth factor

Reserve Funding

As of June 30th, 2021, Alleghany County Water District holds approximately \$2,489 in unrestricted cash and cash equivalents for the water system (see Exhibit 4).

AWWA standards recommend a review of four types of reserves:

1. Debt reserve: ACWD does not currently have any loans or debts.
2. Operating reserve: Operating reserves are established to provide the utility with the ability to withstand short term cash-flow fluctuations. The industry standard calls for 1.5 times the revenue collected during a billing cycle. The target operating reserve is \$3,426 but the utility has \$2,489 in operating reserves. To make up the remaining amount of \$937, it is added as an expense to the general and administrative budget section.
3. Emergency reserve: Emergency reserves are intended to help utilities deal with short-term emergencies, such as mainline breaks or pump failures. An emergency reserve is intended to fund the immediate replacement or reconstruction of the system's single most critical asset. The emergency reserve should be set at the replacement cost of the most expensive component if it failed, would result in the inability to provide water to the community. ACWD determined \$15,000 in emergency reserves would be sufficient. This reserve has already been set aside by the district.
4. Capital replacement reserve (CRP): This reserve is strictly used to fund ACWD's portion of any capital asset replacement when the asset is worn out. Currently ACWD has \$500 set aside for this reserve. This amount is assumed to be used for capital reserves. In addition to the existing funds available, \$2,408 must also be set aside for capital reserves in the first year, and \$1,730 in the remaining years, to fund future capital replacements. Please refer to the five-year budget (Exhibit 2) to see how the capital reserves requirements change over the five years.

Existing Water Reserves	Amount
Debt reserve	\$0 As per lending agreement

Operating reserve	\$2,489	To be placed in a checking account
Emergency reserve	\$15,000	To be placed in a savings account
Capital reserve	\$500	Often in CD
Total	\$17,989	

Water Reserve Targets	Amount	First-year reserve addition	Excess funds to be transferred to CRP	Goal
Debt reserve	\$0	\$0	\$0	As per lending agreement(s)
Operating reserve	\$3,426	\$937	\$0	1.5 times the expenses during a billing cycle (about 45 days of expenses)
Emergency reserve	\$15,000	\$0	\$0	Critical equipment replacement cost
Capital reserve	\$500			

Reserve Policies

The benefit of splitting the reserves into four types are:

1. These reserves have different time horizons: The debt reserve can be invested for a long period of time—as long as the debt is on the books and does not decrease in value. Operating reserves and emergency reserves should be readily available. While CRP funds can be invested with different maturity dates to coincide with the planned need for capital replacements.
2. These four different reserves should require different policies related to:
 - a. Investment terms and vehicles
 - b. What the funds can be used for
 - c. Who can access the funds
 - d. What procedure has to be followed to access the funds

RCAC recommends that ACWD develop a reserve policy for all its water service and continue to follow the policies outlined in Alleghany’s existing reserve policy in Exhibit 6.

8. Fixed Versus Variable Expenses

This break out of expenses is relevant to the water system to determine how the rates should be set. Exhibit 3 shows the split between fixed and variable expenses.

Source

The data comes from the budget as shown in Exhibit 2.

Description

Some expenses vary by the volume of water sold. For example, electricity costs will go up when more water is processed.

Other expenses are fixed. For example, insurance costs remain the same whether water is sold or not.

Most costs are somewhere in between.

In ACWD's case, seventy six percent (76%) of all expenses are fixed, and twenty four percent (24%) are variable. The five-year average expenses, taken from the forecasted budget, is \$39,280. Therefore, seventy six percent (76%) of this would be the district's total fixed expenses: \$29,791. The twenty four percent (24%) of variable costs are then \$9,490. This is not unusual for smaller water systems to have a high percentage of fixed costs.

Alternatives

While fixed expenses should be recovered through the base rate (the same every month), variable cost should be recovered through the usage rate (based on the quantity sold). Should the fixed costs not be recovered by the base rate, but by variable income (usage charges), there may be seasonal shortfalls in cash-flow of the district. Then the district would have to dip into its operating reserves during the winter months.

The split between fixed and variable expenses is not germane to the overall balancing of the budget. It is only relevant to cover the seasonal cash flows of the utility.

9. Rate Calculation

Theoretical Base Rate Calculation

In theory, fixed expenses should be recovered by fixed income (base charges) and variable expenses should be recovered by variable income (usage charges). Fixed revenue (base charges) should recover \$29,791 (fixed expenses shown in Exhibit 3).

Fixed expenses of \$29,791 should be collected from 58 customers and should be based upon the customer's meter size. The district only has customers of meter sizes 5/8-inch meters. The theoretical base rate is calculated by determining the maximum demand for each meter according to the AWWA Safe Maximum Operating Capacity, multiplying by the number of meters by that size in the system, and determining the percentage of total fixed costs that are allocated by meter size. This calculation results in the following:

Meter Size in "	Decimal Size	Number of Meters	AWWA Safe Maximum Operating Cap. (GPM)	Max Demand (GPM)	% of Max Demand by Meter Size	Total Fixed Costs Allocated by Meter Size	Theoretical Base Rate by Meter Size per 2M
A	B	C	D	E= D * C	F= % of total	G= % * total	H=G/C/6
5/8"	0.625	60	20	1,200	100%	\$29,791	\$41.38

Notes: Safe maximum meter capacity for 5/8" through 2" meters (column D) based on AWWA C700 displacement meters.

Base Rate Calculation

In September 2021, district staff decided to move forward with the following recommended rates. The goal was to set a uniform block rate in such a way that it generates enough revenue to balance the budget. These rates recommend a percentage of the proposed theoretical base rates.

The board decided not to accept the proposed theoretical base rates but settled on a slightly lower initial base rate. The base rates will need to increase annually by a percentage to ensure the district remains financially solvent. The following rates have not yet been approved by the ACWD board of directors.

Allegheny Standard Water: Base Rate Calculation

Proposed Base Charge for Future Base Rate Increase	Year 1	Year 2	Year 3	Year 4	Year 5
	0%	3%	3%	3%	3%
Rate	\$39.00	\$40.17	\$41.38	\$42.62	43.89

The base rate selected is **ninety five percent** (95%) of the theoretical amount. This will be followed by an annual increase of three percent (3%) starting the second year. This will result in a steady increase for all customers throughout the five-year rate increase.

Usage Rate Calculation

The usage rate for ACWD will be converted to a uniform usage rate for all customers, instead of the previous tier rate structure.

Currently the base rate includes the first 8,000 gallons of water. Above 8,000 gallons for every 1,000 gallons or portion therefore, the current usage rate is \$3.00.

According to the latest interpretation of Prop 218, the system is not recommended to have tiered rates, unless it can justify the need for a tiered rate structure based on costs, which was not possible for ACWD. Therefore, the current tiered rate structure is recommended to convert to a uniform rate structure.

While relying heavily on the usage rate to balance the budget, it provides a little more control to the property owner by allowing them to reap the financial benefits of conserving water.

The usage rate did not change from the current usage rate in place at the district. However, there will no longer be water included in the base rate. The usage rate applies for all water purchased. This is a requirement for Prop 218, which explains the fee charged to each customer must be proportional to the service received. Therefore, 8,000 gallons will no longer be included in the base rate. Customers will pay the usage rate for each gallon used on top of the base rate.

The usage rate does not increase over the five-year rate increase.

Allegheny Standard: Usage Rate Calculation

Proposed Usage Charge per 1 cubic foot for Year 1

Future Increase

\$3.00 per 1,000 gallons

Year 2	Year 3	Year 4	Year 5
0%	0%	0%	0%
\$3.00	\$3.00	\$3.00	\$3.00

Estimated Profit and Cash Flow

By setting the base rate and the usage rate, the model calculates the revenue generated by this rate, compares it to the expenses (as shown in the budget) and calculates the estimated profit/loss and the estimated contributions to the reserves.

	2022	2023	2024	2025	2026	5 Years
Estimated profit/loss with new rates	-\$797	\$703	\$629	\$555	\$481	\$1,571
Balanced budget?	No	Yes	Yes	Yes	Yes	Yes

Estimate contribution to Reserves	\$2,548	\$2,433	\$2,359	\$2,285	\$2,211	\$11,836
Net Cash Flow	Yes	Yes	Yes	Yes	Yes	Yes

The estimated profit/loss is negative in the first year, and positive for the remaining years. The budget is balanced after the first year. With the recommended rates, the district will have positive cash flow while being able to contribute to their reserves.

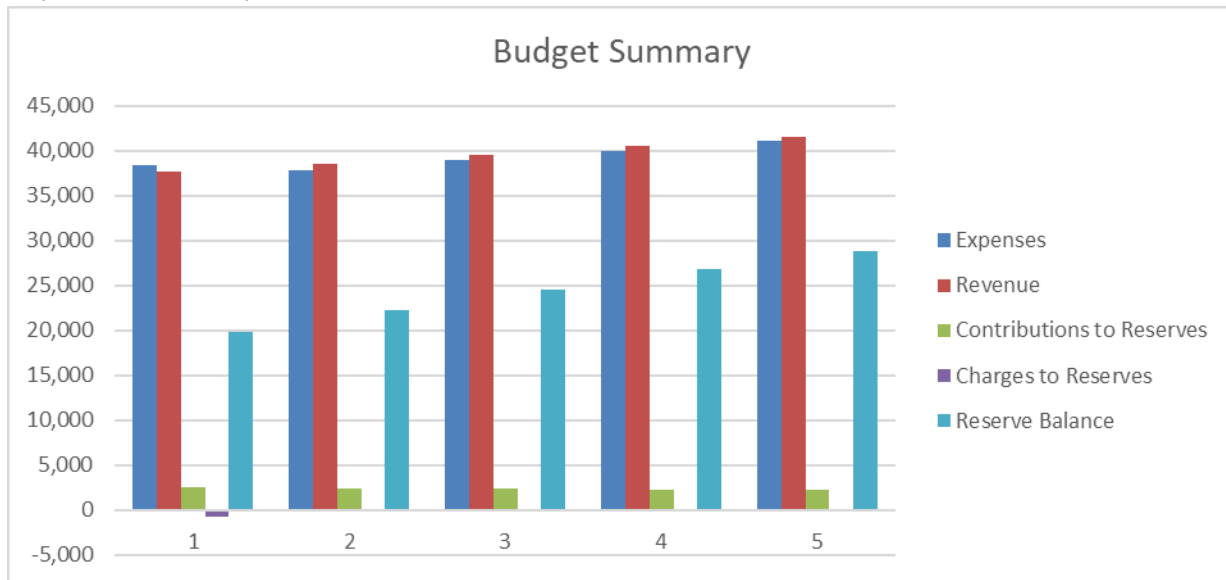
Affordability Index

The Median Household Income (MHI) of ACWD’s service area (from an RCAC MHI survey done in 2016) is \$18,996. The “affordability index” was calculated by dividing the average annual water bill of all residences by the MHI.

		Year 1	Year 2	Year 3	Year 4	Year 5
Affordability Index MHI of Alleghany	\$18,996.00	2.90%	2.96%	3.04%	3.11%	3.19%

Any number below one-point five percent (1.5%) is considered too low, and any replacement project may not be eligible for certain funding. The proposed rates are considered to meet the eligibility to obtain grant funding throughout the five years. The board of directors should consider the demographic characteristics of the water system’s customer base, overall financial profile, and the community’s overall financial strength to determining the affordability of the recommended rates.

Impacts of the Proposed Water Rates



- Expenses (blue bar) shows an increase in the first year, a slight decrease in the second year, and a continual increase in the following years for capital asset replacements.
- Revenue (red bar) gradually climbs each year starting the first year as the district continues to contribute a fixed revenue to the existing CRP for asset replacement.

- Contributions to Reserves (green bar) slightly decreases over each year. This is due to sufficient funding of the reserves over time.
- Charges to Reserves (purple bar) are the replacement costs of certain assets, according to the CRP. There most asset replacements will happen in the first year, which is why it decreases.
- Reserve Balance (light blue bar) is the amount available to replace the system in future years. By the fifth year, the reserve balance shows an increase due to continuous contribution to the reserve for the CRP.

A new rate study should be done in five years or when a grant or loan is obtained.

Estimated Monthly Bill

Average Bill Every Month by Meter Size

	Current	Year 1	Year 2	Year 3	Year 4	Year 5
5/8"	\$40.82	\$45.42	\$46.47	\$47.62	\$48.80	\$50.02

On average, all customers will see an increase in their monthly billing with the adoptions of the new uniform rate model (as seen in the table above). Each customer’s bill will vary depending on the amount of water they use.

Increases over Current Average Monthly Bills

Meter Size	Year 1	Year 2	Year 3	Year 4	Year 5
5/8"	11.26%	13.84%	16.65%	19.55%	22.53%

10. Next Steps

Start the Process at a Board Meeting

ACWD board of directors must follow Prop 218 (Exhibit 9) in implementing the water rates. The board must have a hearing and pass a resolution (sample in Exhibit 7) that includes:

1. The selected rates.
2. Approve of the wording of the Prop 218 notice (sample in Exhibit 8) and email to the GM for editing. Make sure the Public Notice reflects the rates, tiers, and fees approved by the board.
3. Set a date for the notices to be mailed to all the property owners and renters within the District. (No need to send them registered mail. Send the notices to all “property owners of record.” The county tax collector or assessor can provide the district with a list of addresses and address labels.) Notices must be mailed to owners of vacant parcels too.
4. Set the effective date of the rate increase.
5. Set a due date for the protests votes to be received, at least 45 days after the notices are mailed.
6. At the second meeting, the board must plan to take testimony. The district may want to set multiple hearing dates or “educational meetings²” to explain the rate increases to the public.
7. Set an effective date for the proposed rates and fees.

Second Hearing

At the due date of the protest votes, tally the protest votes. If more than half of the parcel protest (one vote per property, either by the renter or owner); then the board cannot adopt the rates proposed in step 1, but must:

- Keep the rates unchanged
- Or repeat the process starting with step 1

If less than half of the property owners protest, the board can adopt the rates and fees. At that time in the process, the board can only accept or reject the proposed rates and fees—they cannot change them (unless steps 1-7 are repeated).

Implementation

The billing system needs to be updated with the new rates.

² “Hearings” imply the presence of the Board and require an agenda and the appropriate notices. “Education Meetings” can be presented by staff, without the presence of Board members or an agenda.

11. Exhibits

1. Capital Replacement Program
2. Five-Year Forecasted Budget
3. Fixed vs. Variable Expenses
4. ACWD Treasurers Report
5. ACWD Current Rates
6. Existing Reserve Policy for Contingency Fund
7. Sample Board Resolution
8. Sample Prop 218 Public Notice
9. Prop 218 Text

Capital Replacement Program
Allegheny County Water District

AWWA Cash-Needs Approach

Exhibit 1

Date: 10/9/21
 System Number: CA4600012
 Service Connections: 60

Quantity	Asset	Year Acquired	Unit Cost (Historic, Current or Future)	Cost Type (H, C, F)	% Belonging to Water	Estimated Historic Cost (Water only)	Normal Estimated Life	Current Age	Estimated Current Cost	Planned Remaining Life	Estimated Remaining Life	Estimated Future Cost	Fund with Cash	Fund with Grant	Fund with Loan	Existing Reserves	Annual Reserve Required
Replacement of Existing Capital Assets																	
1	150,000 Water Storage Tank (subtracted SCADA system)	2018	800,000	h	100%	\$800,000	55	3	851,466	52	52	3,854,212	2%	98%	0%	380	1,294
5,850	6" water pipeline	1977	4	c	100%	\$8,484	70	44	21,587	26	30	50,891	2%	98%	0%	10	31
2,750	2" water pipeline	1977	2	c	100%	\$2,021	100	44	5,143	56	5	5,933	2%	98%	0%	2	23
26	12" CMP Culvert and Conductor Pipe	1977	2	c	100%	\$25	100	44	62	56	56	309	2%	98%	0%	0	Not Cap.
4	6" Gate Valve Assembly	1977	392	c	100%	\$616	75	44	1,566	31	31	3,800	2%	98%	0%	1	2
4	2" Gate Valve Assembly	1977	30	c	100%	\$48	75	44	122	31	31	296	2%	98%	0%	0	Not Cap.
2	Air Release Valve Assembly	1977	300	H	100%	\$600	75	44	1,497	31	31	5,120	2%	98%	0%	1	3
2,175	6" PVC pipeline	1994	4	c	100%	\$4,525	100	27	8,026	73	73	64,686	2%	98%	0%	4	15
40	2" PVC pipeline	1994	2	c	100%	\$42	100	27	75	73	73	603	2%	98%	0%	0	Not Cap.
5	6" Gate Valve Assembly	1994	392	c	100%	\$1,104	75	27	1,958	48	48	7,722	2%	98%	0%	1	3
1	2" Gate Valve	1994	30	c	100%	\$17	75	27	30	48	48	120	2%	98%	0%	0	Not Cap.
4	Air Release Valve Assembly	1994	750	H	100%	\$3,000	75	27	5,258	48	48	25,602	2%	98%	0%	2	9
6	Fire Hydrant Assembly	1994	2,650	H	100%	\$15,900	75	27	27,867	48	48	135,691	2%	98%	0%	12	50
1	2" water meter replaced the only one that is in service in	2016	360	H	100%	\$360	75	5	399	70	70	3,072	2%	98%	0%	0	1
55	water meters installed with boxes this accounts for all of	1994	660	c	100%	\$20,466	15	27	36,300	-12	1	37,353	2%	98%	0%	16	731
1	pumphouse 176 square feet. Smashed by tree, new roof	2012	15,000	H	100%	\$15,000	50	9	18,085	41	41	62,641	2%	98%	0%	8	27
2	Pump Grunfos Booster pump Type CR5-7 Model # A960	2021	1,500	C	100%	\$3,000	15	0	3,000	15	15	4,606	2%	98%	0%	1	6
3	Barnant Model # DL-PK CL2 parastatic pump (metering)	2006	680	c	100%	\$1,484	20	15	2,040	5	5	2,353	2%	98%	0%	1	Not Cap.
1	Desktop computer	2019	727	H	100%	\$727	5	2	758	3	1	839	2%	98%	0%	0	Not Cap.
1	SCADA System (many components) price includes installation	2018	65,000	H	100%	\$65,000	25	3	69,182	22	22	132,830	2%	98%	0%	31	113
1	Special meter for pumphouse	2018	4,668	H	100%	\$4,668	75	3	4,969	72	72	39,841	2%	98%	0%	2	9
1	Water tank (1,100 gallon tank)	2017	1,600	H	100%	\$1,600	40	4	1,739	36	36	5,020	2%	98%	0%	1	3
1	Backup Generator to be replaced as part of current project	2021	30,000	c	100%	\$30,000	30	0	30,000	30	30	70,727	2%	98%	0%	13	43
9	Fire Hydrant Assembly	1977	2,650	c	100%	\$9,374	75	44	23,850	31	31	57,858	2%	98%	0%	11	34
3	1 1/2 "Fire Hydrant Assembly	1977	1,100	c	100%	\$1,297	75	44	3,300	31	31	8,006	2%	98%	0%	1	5
1	Fire Hydrant Assembly (new one at water tank)	2018	2,650	c	100%	\$2,487	75	3	2,650	72	72	20,756	2%	98%	0%	1	5
					100%								0%	0%	100%	0	0
					100%								0%	0%	100%	0	0
					100%								0%	0%	100%	0	0
Subtotal Replacement of Existing Capital Assets						\$991,845			1,120,928			4,600,888	2%	98%	0%	500	2,408

Budget
Alleghany County Water District

Date: 10/09/21 **Exhibit 2**
 Inflation Factor (%): 2.90
 Loan Interest Rate (%): 4.50
 System Number: CA4600012

EXPENSES AND SOURCES OF FUNDS	2019	2020	2021	% Belonging to Water	2022	2023	2024	2025	2026
OPERATIONS & MAINTENANCE EXPENSES									
Water Operation (Payroll)	8,519	19,907	12,000	100%	12,348	12,706	13,075	13,454	13,844
Secretary Contract	510	345	500	100%	515	529	545	561	577
				100%	0	0	0	0	0
Auditor Fee	2,800	2,800	2,950	100%	3,036	3,124	3,214	3,307	3,403
Legal Fees		120		100%	0	0	0	0	0
				100%	0	0	0	0	0
Telephone	323	473	528	100%	543	559	575	592	609
PG&E	2,388	2,389	2,000	100%	2,058	2,118	2,179	2,242	2,307
Propane	564	501	600	100%	617	635	654	673	692
				100%	0	0	0	0	0
Mileage	739	1,005	1,000	100%	1,029	1,059	1,090	1,121	1,154
Water Tests	670	1,586	1,310	100%	1,348	1,387	1,427	1,469	1,511
System Repair & Maintenance	4,057	3,069	4,185	100%	4,306	4,431	4,560	4,692	4,828
Chemicals	653	1,012	1,000	100%	1,029	1,059	1,090	1,121	1,154
Fees & Licenses	565	500	565	100%	581	598	616	633	652
				100%	0	0	0	0	0
Total Refurbishing and Rebuilding Cost					0	0	0	0	0
Total Operation and Maintenance Expenses:	21,788	33,707	26,638		27,411	28,205	29,023	29,865	30,731
GENERAL & ADMINISTRATIVE EXPENSES									
Operating Reserve Funding					937	0	0	0	0
Emergency Reserve Funding					0	0	0	0	0
Debt Reserve Funding					0	0	0	0	0
Replacement of Existing Capital Assets					2,408	1,730	1,730	1,730	1,730
Replacement of Funded Project Assets					0	0	0	0	0
Reserves for Additional Capital Assets					0	0	0	0	0
Debt Service					0	0	0	0	0
Computer	509	942	971	100%	999	1,028	1,058	1,089	1,120
Office Supplies	0	283	100	100%	103	106	109	112	115
Postage	344	148	350	100%	360	371	381	392	404
				100%	0	0	0	0	0
Insurance	4,437	5,401	5,600	100%	5,762	5,930	6,101	6,278	6,460
				100%	0	0	0	0	0
Other Operating Expenses	484	575	481	100%	495	509	524	539	555
				100%	0	0	0	0	0
				100%	0	0	0	0	0
Total General and Administrative Expenses:	5,774	7,349	7,502		11,065	9,673	9,904	10,141	10,385
TOTAL EXPENSES	27,562	41,056	34,140		38,475	37,879	38,927	40,006	41,116
SOURCE OF FUNDS / REVENUES RECEIVED									
Sales Revenue (Base + Usage)	29,468	28,605	27,500		32,702	33,460	34,286	35,137	36,016
New connections				100%	0	0	0	0	0
Interest Income				100%	0	0	0	0	0
Uncollectable Receivables					-65	-67	-69	-70	-72
Reconnect/Admin				100%	0	0	0	0	0
Fees Late/NSF				100%	0	0	0	0	0
Bulk Sales				100%	0	0	0	0	0
Tax revenue	4,572	4,423	4,400	100%	4,528	4,659	4,794	4,933	5,076
Customer Fees			500	100%	515	529	545	561	577
				100%	0	0	0	0	0
				100%	0	0	0	0	0
Transfers from outside this enterprise									
TOTAL REVENUE	34,040	33,028	32,400		37,678	38,581	39,556	40,561	41,597
NET LOSS OR GAIN:	6,478	-8,028	-1,740		-797	703	629	555	481
NET CASH FLOW (Contribution to Reserves)	6,478	-8,028	-1,740		2,548	2,433	2,359	2,285	2,211
Affordability assuming MHI of \$18996 for residential meters.					2.90%	2.96%	3.04%	3.11%	3.19%
Does the Budget Balance?					No	Yes	Yes	Yes	Yes
Positive Annual Cash Flow?					Yes	Yes	Yes	Yes	Yes

**Fixed vs Variable Expenses
Alleghany County Water District**

Exhibit 3

	5-Year Average	% Fixed	\$ Fixed	\$ Variable
OPERATIONS & MAINTENANCE EXPENSES				
Water Operation (Payroll)	13,085	90%	11,777	1,309
Secretary Contract	545	100%	545	0
0	0	100%	0	0
Auditor Fee	3,217	100%	3,217	0
Legal Fees	0	100%	0	0
0	0	100%	0	0
Telephone	576	100%	576	0
PG&E	2,181	6%	131	2,050
Propane	654	0%	0	654
0	0	100%	0	0
Mileage	1,090	90%	981	109
Water Tests	1,428	2%	29	1,400
System Repair & Maintenance	4,563	25%	1,141	3,423
Chemicals	1,090	50%	545	545
Fees & Licenses	616	100%	616	0
0	0	100%	0	0
Total Refurbishing and Rebuilding Cost	0	100%	0	0
0	0	100%	0	0
0	0	100%	0	0
0	0	100%	0	0
0	0	100%	0	0
Total Operation and Maintenance Expenses:	29,047		19,557	9,490
GENERAL & ADMINISTRATIVE EXPENSES				
Operating Reserve Funding	187	100%	187	0
Emergency Reserve Funding	0	100%	0	0
Debt Reserve Funding	0	100%	0	0
Replacement of Existing Capital Assets	1,865	100%	1,865	0
Replacement of Funded Project Assets	0	100%	0	0
Reserves for Additional Capital Assets	0	100%	0	0
Debt Service	0	100%	0	0
Computer	1,059	100%	1,059	0
Office Supplies	109	100%	109	0
Postage	382	100%	382	0
0	0	100%	0	0
Insurance	6,106	100%	6,106	0
0	0	100%	0	0
Other Operating Expenses	525	100%	525	0
0	0	100%	0	0
0	0	100%	0	0
Total General and Administrative Expenses:	10,233		10,233	0
Total All Expenses				
	39,280		29,791	9,490
Fixed-Variable as % of all Expenses			76%	24%

Alleghany County Water District

Treasurer's Report

June 2021

MAIN ACCOUNT Beginning Balance \$ 16,052.64

Deposits

Date	From:	For:	Amount
6/22	Customers	Water	\$ 2,171.74
Deposits Total			\$ 2,171.74

Expenditures

Ck #	Date	To:	For:	Amount
5632	6/7	Bruce Coons	WDO April Payroll - Gross \$501.76	\$ 429.63
5633	6/7	Edda Snyder	Bookkeeper April Payroll - Gross \$175	\$ 161.61
5634	6/7	Edward Snyder	WDA April Payroll - Gross \$212.50	\$ 196.25
5635	6/7	Bruce Coons	WDO May Payroll - Gross \$568.48	\$ 491.76
5636	6/7	Edda Snyder	Bookkeeper May Payroll - Gross \$175	\$ 161.61
5637	6/7	Edward Snyder	WDA May Payroll - Gross \$284	\$ 262.27
EFT	6/17	PG&E	Pumphouse	\$ 187.81
EFT	6/17	PG&E	Tank Site	\$ 7.64
Expenditures Total				\$ 1,898.58

RESERVE FUND WATER OPERATION	
Contingency Fund	\$ 15,000.00
Equip. Maint. Fund	\$ 500.00
TOTAL	\$ 15,500.00

Ending Main Account Balance	\$ 16,325.80
Less Reserve Fund	\$ (15,500.00)
Plus Undeposited Funds	\$ 1,663.34
Available Funds	\$ 2,489.14

NON-ENTERPRISE ACCOUNT (Historical Church & Park)

Beginning Balance \$ 7,203.99

Deposits

Date	From:	For:	Amount
Deposits Total			\$ -

Expenditures

Ck #	Date	To:	For:	Amount
Expenditures Total				\$ -

Report Prepared by Edda Snyder
 Verified against Bank Statement

Ending Non-enterprise Account Balance \$ 7,203.99

x _____
 Print

Historical Church Balance	\$ 4,974.63
Park Balance	\$ 2,229.36
Balance	\$ 7,203.99

ORDINANCE NO. 33

**AN ORDINANCE AMENDING ORDINANCE NO. 3
ENTITLED “AN ORDINANCE ESTABLISHING RATES,
RULES AND REGULATIONS FOR WATER SERVICE
BY THE ALLEGHANY COUNTY WATER DISTRICT”**

BE IT ORDAINED by the Board of Directors of the Alleghany County Water District, Sierra County, California as follows:

Section 1. Section 1601 of Article 16 of Ordinance No. 3, cited in the title, passed and adopted by said Board on August 4, 1977, be, and it is hereby amended to read as follows:

1601. Rates for water service are hereby established as follows:

All metered water services shall be charged a monthly base rate of \$40.00 per month. 8,000 gallons of water shall be included in the base rate. All usage over 8,000 gallons shall be billed at a rate of \$3.00 per 1,000 gallons.

These rates shall take effect on June 1, 2016 and will be reflected on the July 1st billing.

Section 2. Article 9 Section 904 of Ordinance No. 3, cited in the title, passed and adopted by said Board on August 4, 1977, be, and it is hereby amended to read as follows:

Delinquency Date: Rates and charges which are not paid on or before the first day of the calendar month following the due date shall be delinquent. If charges are not paid on or before the first day of the calendar month after the due date, a penalty of ten percent (10%) will be added to said charges including any previous penalties. If charges and penalties are not paid within twenty-days after the delinquency date, the District may discontinue service. The district board shall establish policies & procedures pertaining to standard billing notes regarding late fees and subsequent shut-off notices in accordance with this and other applicable ordinances.

Section 3. Article 10 Section 1002 of Ordinance No. 3, cited in the title, passed and adopted by said Board on August 4, 1977, be, and it is hereby amended to read as follows:

Reconnection Charge: A reconnection charge together with the account balance and an amount equal to ten percent (10%) of the account balance at the time of shut-off shall be made and collected prior to renewing service following a discontinuance of service. The reconnection charge shall be calculated as follows: \$50 for a period of 1 to 40 days and \$150 for a period of 41 to 180 days. For discontinuance exceeding 180 days the reconnect fee shall be \$300.

Section 4. Ordinance No. 15 passed and adopted on May 18, 1998 is hereby repealed thereby fully reinstating Article 10 section 1001 of Ordinance #3 as adopted on August 4, 1977 adding the following text: the district shall establish policies & procedures pertaining to the set-up of payment plans for the purpose of avoiding shut-off of water service.

Section 5. All ordinances and parts of ordinances inconsistent herewith are hereby repealed.

Section 6. This ordinance shall take effect upon adoption unless otherwise stated and shall be posted within 15 days of adoption in three public places in the District.

I hereby certify that the foregoing is a full, true, and correct copy of Ordinance number 33 duly passed and adopted by the Board of Directors of the Alleghany County Water District, Sierra County, California, at the Regular Meeting held on the 10th day of May, 2016 by the following vote:

AYES, and in favor thereof, Directors: Arbogast, DeWeese, Hamb, Mehrmann, Tenney

NOES, Directors: None

ABSENT, Directors: None

ATTEST:


Leslie D. Baker III
Leslie Baker III, Secretary



Rae Bell Arbogast President

Alleghany County Water District

P.O. Box 860, Alleghany, CA 95910 ~ alleghanywater@gmail.com ~ Phone 530-287-3204

~ Established March 8, 1939 ~

CERTIFICATE OF POSTING

I, Leslie D. Baker III certify that the following document was posted on behalf of Alleghany County Water District, Sierra County California:

Ordinance No. 33

In the following location(s):

Alleghany Post Office Bulletin Board on 5/18/16.
On the door of the Alleghany Firehouse 5/18/16
Casey's Place 5/18/16

A copy of which is attached hereto and by reference made a part herof.

Signed under penalty of perjury: X Leslie D. Baker III
Leslie D. Baker III

Alleghany County Water District (ACWD) Policies & Procedures

Policy # 102 Contingency Fund

Policy:

It is the Policy of ACWD to set aside contingency funds in an amount equal to approximately 3 to 6 months of average cash-based operating expenses for the purpose of covering unexpected expenses or loss of revenue.

Procedure 102.1: After the books are closed-out at the end of each fiscal year, the general manager or designee shall prepare a summary of the previous year's cash-flow results, including a calculation of the general fund balance needed to cover ongoing operating expenses. Based on these calculations a recommendation will be made regarding how much money can be moved into the contingency fund. The board shall decide by motion the amount (if any) to be moved to the contingency fund for the fiscal year just-ended.

Procedure 102.2: Withdrawals from the Contingency fund require board approval unless there is an emergency that must be addressed immediately, in which case the Water Treatment Operator shall provide the General Manager or Bookkeeper with the expected cost. Emergency withdrawals NOT approved in advance shall be brought before the board for ratification.

Procedure 102.3: The contingency fund shall be tracked on a spreadsheet incorporated with the annual budget worksheets. The contingency fund balance shall be incorporated into the monthly treasurer's report.

Sample Resolution

SMITH RIVER COMMUNITY SERVICES DISTRICT

RESOLUTION 2018-3

Resolution to Proceed with the Rate Study 2018

BE IT RESOLVED, that the Board of Directors of the Smith River Community Services District hereby adopted a resolution to proceed with the following list of recommendations presented with the Water Rate Study completed by Rural Community Assistance Corporation (RCAC) which were presented at the February 12, 2018 Board of Directors Meeting:

1. The Board selects the rates as presented and discussed at the February 26, 2018 regular meeting of The Board of Directors;
2. The effective date of the approved rate increase is July 1, 2018;
3. The Board instructs staff to create a Public Notice document, in compliance with Prop 218 which is mailed to all property owners of record in the Smith River Community Services District as provided by the Assessor's Office County of Del Norte;
4. Information to be included in the Public Notice includes proposed new rates, when the new rates would take effect, how property owners or water customers can protest the rate increase, and what the time frame for protests is, when the public meeting for protest is scheduled;
5. Set the date by which the protest letters must be received which is by Thursday May 3, 3018;
6. The Board instructs staff to mail out the Public Notice to all property owners in the District postmarked on or before March 19, 2018.

THIS RESOLUTION PASSED AND ADOPTED THIS 26TH Day of February 2018 by the following vote:

AYES:

NAYES:

ABSENT:

Robert Dytewski,
Smith River Community Services District Board President

Attested by Kathryn Demry,
Secretary to the Board

NOTICE OF PUBLIC HEARING ON PROPOSED WATER RATES FOR Alleghany County Water District

Public Hearings, date , 2021 time
at location

WHY ARE YOU RECEIVING THIS NOTICE?

This notice is being furnished to you by the Alleghany County Water District (ACWD) pursuant to the California Constitution Article XIII Section D (also known as "Proposition 218"). Under terms of Proposition 218, the District is required to notify property owners of proposed changes to property related fees such as water services. This letter serves as notice that the ACWD will hold a public hearing to consider changes to its current water rates.

WHAT DO WATER RATES FUND?

The ACWD provides water services to about 60 customers. These water services must be financially self-sufficient.

Monthly rates paid by users of the system are the primary sources of revenue. All revenue generated from your utility bills is used to maintain and operate the domestic water system and not any other ACWD operation. These revenues must meet all the costs such as electricity, chemicals, maintenance, licensing, fees, salaries of staff, repairs, and administrative costs and build up reserves for emergency repairs and future replacement of the system when it is time to be replaced.

In the past, the ACWD has relied on government grants to replace the water system. Given the poor financial health of our government, the ACWD will have to rely more and more on its own resources to maintain the water system. Nor does the ACWD want to burden future generations with debt and a decrepit water system. The ACWD believes in responsible financial management of the current water system.

WHY ARE RATE CHANGES REQUIRED?

A complete budget review and analysis was done by an independent consultant. 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. 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.

The ACWD also recently completed an analysis of the capital replacement requirements. All the capital assets of the ACWD were reviewed and an estimated replacement timeframe and cost were assigned.

These replacements will be partially funded with grants, loans and the proposed rate increases.

The last rate increase for the ACWD was about five years ago, but did not include certain expenses. Since then the ACWD has cut costs everywhere possible. Further cost cutting is not possible or ill is advised.

HOW ARE RATES CALCULATED?

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 first component is a fixed amount calculated to recover the ACWD'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 variable component of the rate structure is based on water consumption.

Under normal operating procedures, the ACWD should fund 100% of the fixed expenses with the Base Charges and the rest with Usage Charges. The ACWD Board decided to fund at a lower rate of the fixed expenses with Base Charges, to bring the cost down of low volume users, 76% fixed costs and 24% variable costs.

The ACWD currently has one increasing block rate for all customers of \$40.00/month and a charge of \$3.00 per every 1,000 gallons above 8,000 gallons. Prop 218 requires that all customers pay according to the costs of the water they receive. This requires some change for the community of Allegheny. Therefore, the rates will do away with the 8,000 gallons of water included in the base rate.

NEW RATES

Water rates will increase over a five-year period by 3.00%, instead of a large one-time adjustment.

Allegheny **Standard Water Base Rate Calculation**

Meter Size	Proposed Base Charge for Year 1	Year 2	Year 3	Year 4	Year 5
	Future Increase	3.00%	3.00%	3.00%	3.00%
5/8"	\$39.00	\$40.17	\$41.38	\$42.62	43.89

The usage charge will increase at \$3.00 per every 1,000 gallons for all customers. The usage rate will remain the same for all 5 years of the rate increase.

The above Base Charges and Usage Rates would go in effect on **date**.

These rates will balance the budget in five years. These rates are the absolute minimum that can be justified as being prudent and necessary.

MEETING & PROTEST

The purpose of these public hearings is for the ACWD to consider all comments about the rate increases to be imposed on parcels within the District. As the record owner or renter 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 increases. Provided, however, **if the identified parcel has more than one record owner or renter, 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 (by APN or ACWD account #) and (4) include the **original signature of the record owner or renter 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 **mailing address** or in person at the public hearing on **date**, so long as they are received prior to the start of the public hearing. District staff will **not** accept protest letters as they all must be mailed to the address above or delivered in person at the **date** 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.

During the **date** public hearing the written protests will be tallied by an impartial person. At the conclusion of the public hearing on **date**, the District 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 **date** public hearing, written protests against the rate increases, as outlined above, are not presented by a **majority of the owners or renters of the identified parcels** upon which the new rates are proposed to be imposed, the ACWD board will be authorized to impose the rate increases as presented here.

Submitted on **date**, as instructed by the ACWD Board on **date**,
 by **respective persons**
position title

Proposition 218 Certification

CALIFORNIA CONSTITUTION
ARTICLE 13C (VOTER APPROVAL FOR LOCAL TAX LEVIES)

SECTION 1. Definitions. As used in this article:

- (a) "General tax" means any tax imposed for general governmental purposes.
- (b) "Local government" means any county, city, city and county, including a charter city or county, any special district, or any other local or regional governmental entity.
- (c) "Special district" means an agency of the State, formed pursuant to general law or a special act, for the local performance of governmental or proprietary functions with limited geographic boundaries including, but not limited to, school districts and redevelopment agencies.
- (d) "Special tax" means any tax imposed for specific purposes, including a tax imposed for specific purposes, which is placed into a general fund.

CALIFORNIA CONSTITUTION
ARTICLE 13C (VOTER APPROVAL FOR LOCAL TAX LEVIES)

SEC. 2. Local Government Tax Limitation. Notwithstanding any other provision of this Constitution:

- (a) All taxes imposed by any local government shall be deemed to be either general taxes or special taxes. Special purpose districts or agencies, including school districts, shall have no power to levy general taxes.
- (b) No local government may impose, extend, or increase any general tax unless and until that tax is submitted to the electorate and approved by a majority vote. A general tax shall not be deemed to have been increased if it is imposed at a rate not higher than the maximum rate so approved. The election required by this subdivision shall be consolidated with a regularly scheduled general election for members of the governing body of the local government, except in cases of emergency declared by a unanimous vote of the governing body.
- (c) Any general tax imposed, extended, or increased, without voter approval, by any local government on or after January 1, 1995, and prior to the effective date of this article, shall continue to be imposed only if approved by a majority vote of the voters voting in an election on the issue of the imposition, which election shall be held within two years of the effective date of this article and in compliance with subdivision (b).
- (d) No local government may impose, extend, or increase any special tax unless and until that tax is submitted to the electorate and approved by a two-thirds vote. A special tax shall not be deemed to have been increased if it is imposed at a rate not higher than the maximum rate so approved.

CALIFORNIA CONSTITUTION
ARTICLE 13C (VOTER APPROVAL FOR LOCAL TAX LEVIES)

SEC. 3. Initiative Power for Local Taxes, Assessments, Fees and Charges. Notwithstanding any other provision of this Constitution, including, but not limited to, Sections 8 and 9 of Article II, the initiative power shall not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge. The power of initiative to affect local taxes, assessments, fees and charges shall be applicable to all local governments and neither the Legislature nor any local government charter

shall impose a signature requirement higher than that applicable to statewide statutory initiatives.

CALIFORNIA CONSTITUTION

ARTICLE 13D (ASSESSMENT AND PROPERTY-RELATED FEE REFORM)

SECTION 1. Application. Notwithstanding any other provision of law, the provisions of this article shall apply to all assessments, fees and charges, whether imposed pursuant to state statute or local government charter authority. Nothing in this article or Article XIIIIC shall be construed to:

(a) Provide any new authority to any agency to impose a tax, assessment, fee, or charge.

(b) Affect existing laws relating to the imposition of fees or charges as a condition of property development.

(c) Affect existing laws relating to the imposition of timber yield taxes.

CALIFORNIA CONSTITUTION

ARTICLE 13D (ASSESSMENT AND PROPERTY-RELATED FEE REFORM)

SEC. 2. Definitions. As used in this article:

(a) "Agency" means any local government as defined in subdivision (b) of Section 1 of Article XIIIIC.

(b) "Assessment" means any levy or charge upon real property by an agency for a special benefit conferred upon the real property. "Assessment" includes, but is not limited to, "special assessment," "benefit assessment," "maintenance assessment" and "special assessment tax."

(c) "Capital cost" means the cost of acquisition, installation, construction, reconstruction, or replacement of a permanent public improvement by an agency.

(d) "District" means an area determined by an agency to contain all parcels which will receive a special benefit from a proposed public improvement or property-related service.

(e) "Fee" or "charge" means any levy other than an ad valorem tax, a special tax, or an assessment, imposed by an agency upon a parcel or upon a person as an incident of property ownership, including a user fee or charge for a property related service.

(f) "Maintenance and operation expenses" means the cost of rent, repair, replacement, rehabilitation, fuel, power, electrical current, care, and supervision necessary to properly operate and maintain a permanent public improvement.

(g) "Property ownership" shall be deemed to include tenancies of real property where tenants are directly liable to pay the assessment, fee, or charge in question.

(h) "Property-related service" means a public service having a direct relationship to property ownership.

(i) "Special benefit" means a particular and distinct benefit over and above general benefits conferred on real property located in the district or to the public at large. General enhancement of property value does not constitute "special benefit."

CALIFORNIA CONSTITUTION

ARTICLE 13D (ASSESSMENT AND PROPERTY-RELATED FEE REFORM)

SEC. 3. Property Taxes, Assessments, Fees and Charges Limited. (a) No tax, assessment, fee, or charge shall be assessed by any agency upon any parcel of property or upon any person as an incident of property ownership except:

(1) The ad valorem property tax imposed pursuant to Article XIII and Article XIII A.

(2) Any special tax receiving a two-thirds vote pursuant to Section 4 of Article XIII A.

(3) Assessments as provided by this article.

(4) Fees or charges for property related services as provided by this article.

(b) For purposes of this article, fees for the provision of electrical or gas service shall not be deemed charges or fees imposed as an incident of property ownership.

CALIFORNIA CONSTITUTION

ARTICLE 13D (ASSESSMENT AND PROPERTY-RELATED FEE REFORM)

SEC. 4. Procedures and Requirements for All Assessments. (a) An agency which proposes to levy an assessment shall identify all parcels which will have a special benefit conferred upon them and upon which an assessment will be imposed. The proportionate special benefit derived by each identified parcel shall be determined in relationship to the entirety of the capital cost of a public improvement, the maintenance and operation expenses of a public improvement, or the cost of the property related service being provided. No assessment shall be imposed on any parcel which exceeds the reasonable cost of the proportional special benefit conferred on that parcel. Only special benefits are assessable, and an agency shall separate the general benefits from the special benefits conferred on a parcel. Parcels within a district that are owned or used by any agency, the State of California or the United States shall not be exempt from assessment unless the agency can demonstrate by clear and convincing evidence that those publicly owned parcels in fact receive no special benefit.

(b) All assessments shall be supported by a detailed engineer's report prepared by a registered professional engineer certified by the State of California.

(c) The amount of the proposed assessment for each identified parcel shall be calculated and the record owner of each parcel shall be given written notice by mail of the proposed assessment, the total amount thereof chargeable to the entire district, the amount chargeable to the owner's particular parcel, the duration of the payments, the reason for the assessment and the basis upon which the amount of the proposed assessment was calculated, together with the date, time, and location of a public hearing on the proposed assessment. Each notice shall also include, in a conspicuous place thereon, a summary of the procedures applicable to the completion, return, and tabulation of the ballots required pursuant to subdivision (d), including a disclosure statement that the existence of a majority protest, as defined in subdivision (e), will result in the assessment not being imposed.

(d) Each notice mailed to owners of identified parcels within the district pursuant to subdivision (c) shall contain a ballot which includes the agency's address for receipt of the ballot once completed by any owner receiving the notice whereby the owner may indicate his or her name, reasonable identification of the parcel, and his or her support or opposition to the proposed assessment.

(e) The agency shall conduct a public hearing upon the proposed assessment not less than 45 days after mailing the notice of the proposed assessment to record owners of each identified parcel. At the public hearing, the agency shall consider all protests against the proposed assessment and tabulate the

ballots. The agency shall not impose an assessment if there is a majority protest. A majority protest exists if, upon the conclusion of the hearing, ballots submitted in opposition to the assessment exceed the ballots submitted in favor of the assessment. In tabulating the ballots, the ballots shall be weighted according to the proportional financial obligation of the affected property.

(f) In any legal action contesting the validity of any assessment, the burden shall be on the agency to demonstrate that the property or properties in question receive a special benefit over and above the benefits conferred on the public at large and that the amount of any contested assessment is proportional to, and no greater than, the benefits conferred on the property or properties in question.

(g) Because only special benefits are assessable, electors residing within the district who do not own property within the district shall not be deemed under this Constitution to have been deprived of the right to vote for any assessment. If a court determines that the Constitution of the United States or other federal law requires otherwise, the assessment shall not be imposed unless approved by a two-thirds vote of the electorate in the district in addition to being approved by the property owners as required by subdivision (e).

CALIFORNIA CONSTITUTION

ARTICLE 13D (ASSESSMENT AND PROPERTY-RELATED FEE REFORM)

SEC. 5. Effective Date. Pursuant to subdivision (a) of Section 10 of Article II, the provisions of this article shall become effective the day after the election unless otherwise provided. Beginning July 1, 1997, all existing, new, or increased assessments shall comply with this article. Notwithstanding the foregoing, the following assessments existing on the effective date of this article shall be exempt from the procedures and approval process set forth in Section 4:

(a) Any assessment imposed exclusively to finance the capital costs or maintenance and operation expenses for sidewalks, streets, sewers, water, flood control, drainage systems or vector control. Subsequent increases in such assessments shall be subject to the procedures and approval process set forth in Section 4.

(b) Any assessment imposed pursuant to a petition signed by the persons owning all of the parcels subject to the assessment at the time the assessment is initially imposed. Subsequent increases in such assessments shall be subject to the procedures and approval process set forth in Section 4.

(c) Any assessment the proceeds of which are exclusively used to repay bonded indebtedness of which the failure to pay would violate the Contract Impairment Clause of the Constitution of the United States.

(d) Any assessment which previously received majority voter approval from the voters voting in an election on the issue of the assessment. Subsequent increases in those assessments shall be subject to the procedures and approval process set forth in Section 4.

CALIFORNIA CONSTITUTION

ARTICLE 13D (ASSESSMENT AND PROPERTY-RELATED FEE REFORM)

SEC. 6. Property Related Fees and Charges. (a) Procedures for New or Increased Fees and Charges. An agency shall follow the procedures pursuant to this section in imposing or increasing any fee or charge as defined pursuant to this article, including, but not limited to, the following:

(1) The parcels upon which a fee or charge is proposed for imposition shall be identified. The amount of the fee or charge proposed to be imposed upon each parcel shall be calculated. The agency shall provide written notice by mail of the proposed fee or charge to the record owner of each identified parcel upon which the fee or charge is proposed for imposition, the amount of the fee or charge proposed to be imposed upon each, the basis upon which the amount of the proposed fee or charge was calculated, the reason for the fee or charge, together with the date, time, and location of a public hearing on the proposed fee or charge.

(2) The agency shall conduct a public hearing upon the proposed fee or charge not less than 45 days after mailing the notice of the proposed fee or charge to the record owners of each identified parcel upon which the fee or charge is proposed for imposition. At the public hearing, the agency shall consider all protests against the proposed fee or charge. If written protests against the proposed fee or charge are presented by a majority of owners of the identified parcels, the agency shall not impose the fee or charge.

(b) Requirements for Existing, New or Increased Fees and Charges a fee or charge shall not be extended, imposed, or increased by any agency unless it meets all of the following requirements:

(1) Revenues derived from the fee or charge shall not exceed the funds required to provide the property related service.

(2) Revenues derived from the fee or charge shall not be used for any purpose other than that for which the fee or charge was imposed.

(3) The amount of a fee or charge imposed upon any parcel or person as an incident of property ownership shall not exceed the proportional cost of the service attributable to the parcel.

(4) No fee or charge may be imposed for a service unless that service is actually used by, or immediately available to, the owner of the property in question. Fees or charges based on potential or future use of a service are not permitted. Standby charges, whether characterized as charges or assessments, shall be classified as assessments and shall not be imposed without compliance with Section 4.

(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. Reliance by an agency on any parcel map, including, but not limited to, an assessor's parcel map, may be considered a significant factor in determining whether a fee or charge is imposed as an incident of property ownership for purposes of this article. In any legal action contesting the validity of a fee or charge, the burden shall be on the agency to demonstrate compliance with this article.

(c) Voter Approval for New or Increased Fees and Charges. Except for fees or charges for sewer, water, and refuse collection services, no property related fee or charge shall be imposed or increased unless and until that fee or charge is submitted and approved by a majority vote of the property owners of the property subject to the fee or charge or, at the option of the agency, by a two-thirds vote of the electorate residing in the affected area. The election shall be conducted not less than 45 days after the public hearing. An agency may adopt procedures similar to those for increases in assessments in the conduct of elections under this subdivision.

(d) Beginning July 1, 1997, all fees or charges shall comply with this section.