

Allegheny County Water District

PROPOSED RATE CHANGE

Prepared by Rae Bell Arbogast, GM ~ For meeting date 5/10/2022

Tentative Proposal: Raise the base rate by \$4.00 (10%) with 8,000 gallons of water included in the base rate (no change). For usage over 8,000 gallons: price per 1,000 gallons to be raised to \$4.00 (\$1.00 increase).

New regular monthly customer bill would be \$44.00

Usage over 8,000 gallons would be billed at \$4.00 per thousand gallons (.004 per gallon).

Projected additional district income: \$2,994 per year.

Additional income calculated as follows: 53 customers at \$4 per month = $\$212 \times 12 = \$2,544$ more per year in flat rate fees, plus another \$450 for water use overages (estimate based on 2021 overages of 450,000 gallons).

The above proposal was arrived at during the special meeting held on April 26th, with the idea of running it by the community before a resolution is adopted to begin the proposition 218 process. Extensive background information can be found in the April 12th and April 26th ACWD meeting documents available on the district's website (click on "board meetings" then select date) or by request. Leave a message at 530-287-3204 to request hard copies.

The State Division of Finance funded a financial analysis and rate study of ACWD in 2020 that was completed in October of 2021. A letter that was sent to the State Division of Finance explaining why the ACWD Board chose not to adopt the rates as recommended in the rate study is attached at the end of this document.

Since 2015 the State has invested over 1.5 million dollars in ACWD's infrastructure. The pending improvements at the Ram Spring Site (including a small building) are estimated to cost another \$850,000. The State cannot continue to invest money in ACWD without the board demonstrating that everything is being done to keep the district financially solvent.

Regardless of what the State says, inflation is on the rise, and ACWD should expect most operating expenses to increase. Also, for the fiscal year ending 6/30/2021 the district showed a loss and was not able to transfer money into the equipment repair and maintenance fund as planned (a transfer from the contingency fund was used to keep up with the savings goal).

Overall, the district is in much better financial condition that it was in 2016 when the last rate change was adopted, but the number of active paying accounts has decreased by four (from 57 to 53 or about \$1,920 less in annual income). In 2016 the district had no money set aside for emergencies or equipment repairs & maintenance and had borrowed \$3,000 from the Historical Church Fund to cover operating expenses. Now, the emergency (contingency) fund is in good shape, with the equipment repair & maintenance fund still needing to be built up. The district is taking a proactive approach to financial planning, to hopefully avoid a situation like 2016.

Additional information provided in the DRAFT proposition 218 documents.

Alleghany County Water District

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

~ Established March 8, 1939 ~

April 15, 2022

Gary Chan, PE
DFA SWRCB
PO Box 997377 MS 7418
Sacramento, CA 95899-7413

Re: Financial analysis and rate recommendation completed in 2021

Dear Gary:

Alleghany County Water District (ACWD) is very appreciative of the help that it has received and continues to receive through various State Programs, including DFA and SAFER.

ACWD is in much better shape than it was seven years ago. Over the last seven years, DFA has assisted ACWD with both infrastructure funding and technical, managerial and financial assistance (TMF). The rate analysis by RCAC was part of the most recent TMF analysis.

On April 12th, at our regular board meeting, the ACWD board along with two staff members and a member of the public discussed the rate analysis in depth. The ACWD board concluded that it cannot in good conscience pass a resolution to adopt the proposed rates (to begin the proposition 218 process), because of the disparity in how the proposed rates impact different customers.

The following information is based upon 2021 actual water use: while most of the customers would experience only a 3 to 13% rate increase (the first year and up from there over a period of five years), the other 20% of our customers would experience a much higher rate increase from 25 to 50% in the first year alone. Many of the most financially vulnerable residents happen to be in the higher water use category (larger households, more likely to experience water leaks). For this reason, the ACWD board cannot endorse the proposed rate plan.

The financial analysis included in the rate plan is a valuable tool that ACWD will consult as we work on an alternative rate increase. Almost everybody at the table last night agreed that the rates must be increased. The challenge before us, is how to do that in a way that will impact all customers in a more uniform way without eliciting protests from more than half of our constituents.

Some ideas were floated last night. GM Rae Bell will be "crunching the numbers". A follow-up phone conference is planned for Tuesday April 26th (open to the public and posted per the Brown Act). The goal will be to come up with a tentative proposal to present at a public hearing to be held with the regular board meeting on May 10th. Hopefully, a resolution will be passed at the May 10th meeting to start the proposition 218 process.

Sincerely,


Tobyn Mehrmann
President ACWD Board of Directors

May 13, 2022

DRAFT

Notice of Public Hearing on Proposed Water Rate Increase

Date: June 28, 2022

Time: 6:00 PM Location: Alleghany Firehouse, 105 Plaza Court

The Alleghany County Water District (ACWD) Board of Directors wishes to notify you of a Public Hearing on June 28, 2022 at 6:00 p.m. at the Alleghany Firehouse to discuss a proposed water service rate increase that, if approved, will commence on July 1, 2022 (with the August 1, 2022 billing).

Background and Reasons for Proposed Increase

- Water rates have not been raised in over 5 years. During this time operating expenses have increased while the number of active accounts has decreased from 57 to 53.
- The four closed accounts represent \$1,920.00 less in district income per year.
- Inflation is on the rise, and ACWD expects most operating expenses to continue to increase. This rate change is needed for long-term financial stability and to cover short-term expenses.
- For the fiscal year ending 6/30/2021 (most recently audited year) the district showed a loss and was not able to transfer money into the equipment repair and maintenance fund as planned (a transfer from the contingency fund was used to keep up with the savings goal).
- The district is taking a proactive approach to financial planning, to hopefully avoid a situation like 2016 when there was no money set-aside for emergencies, equipment repair & replacement or budget shortfalls.
- The State Department of Finance (DFA) has invested over 1.5 million dollars into ACWD since 2015 with an \$850,000 application currently being considered. The state cannot continue to invest money into ACWD's infrastructure without assurance that the district is financially solvent and able to properly maintain the equipment being funded by the State.
- Note that the rates as proposed in this notice are not sufficient to cover the long-term replacement of all existing equipment and infrastructure as required by the State. (Commonly referred to as depreciation expense or capital replacement.) Due to affordability concerns an exception to this requirement is made by the State for financially "Severely Disadvantaged Communities".

New Rate Proposal:

Monthly flat rate per service \$44.00 includes up to 8,000 gallons of water.
Usage over 8,000 gallons to be billed at \$4.00 per thousand gallons (.004 per gallon).

Based on the current number of customers (53) and actual water overages for 2021, it is estimated that this increase will result in additional annual income of \$2,994 for the district.

Late Fees:

Remain unchanged at a 10% one-time charge for balances over 30 days past due.

Water bill assistance available to customers

Please be aware that Alleghany County Water District (ACWD) does offer payment plans if you get behind on your water bill.

Additionally, the State is rolling out the Low-Income Household Water Assistance Program (LIHWAP), administered through the California Department of Community Services and Development (CSD), and is scheduled to begin this month. ACWD has applied to participate in this program. For more information on LIHWAP and to learn more about the eligibility requirements, visit their website at: www.csd.ca.gov/waterbill.

Sierra County Social Services also may have resources for utility bill assistance as well.

How to Protest the Proposed New Rates

The Board will accept public comments at the Public Hearing. Written protests may be submitted before or at this Public Hearing. Written Protests may be:

1. **Mailed** to Alleghany County Water District P.O. Box 860, Alleghany, California 95910; or
2. **Personally submitted** at the Board meeting at 105 Plaza Court, Alleghany, California, prior to the close of the Public Hearing

Protests submitted by fax or email will not be accepted.

To be valid, protests must be in writing, state opposition to the proposed rate increase, and include the property owner's or customer's printed name and address, as well as the parcel number or address of the property served. Protests must be signed by the property owner or by the customer directly responsible for payment of the fees subject to the proposed increase. If the party signing the protest is not shown as the parcel owner as per the last equalized assessment roll of Sierra County, or, in ACWD's records as the responsible ratepayer, the protest must contain, or be accompanied by, written evidence that such party is the owner or responsible ratepayer. Only one protest will be counted per parcel.

While oral comments at the public hearing are welcome, those comments will not qualify as a valid written protest.

If, at the close of the public hearing, written protests against the proposed rate adjustment are not submitted by a majority (50% + 1) of the property owners or customers of record within the District, the Board of Directors will be authorized to adopt these rates.

Extensive back-up documentation regarding this proposed rate change can be found on the district's website www.alleghanywater.org

**Click on Board Meetings: the following meeting dates provide relevant information
4/12/2022, 4/26/2022 and 5/10/2022**

To request hard copies leave a message at 530-287-3204

DISTRICT CONTACT INFORMATION

email: alleghanywater@gmail.com

Phone: 530-287-3204

ACWD PO Box 860, Alleghany, CA 95910.

Alleghany County Water District

RESOLUTION NUMBER 116

A RESOLUTION TO START THE PROPOSITION 218 PROCESS FOR A RATE CHANGE

WHEREAS,

1. Alleghany County Water District (ACWD) is a public agency in Sierra County, California that provides water to the community of Alleghany for both domestic use and fire prevention.
 2. The services offered by ACWD are essential to the existence of the town and the well-being of its residents.
 3. The Board of Directors of ACWD has a fiscal duty to ensure the long-term financial stability of the district while also ensuring that rates are affordable.
 4. The Board of Directors and Staff of ACWD have concluded that a rate increase is necessary.
 5. The Proposition 218 process provides the community of Alleghany with the opportunity to reject the proposed rate change.
 6. The proposed new rates are \$44 _____ per month to include 8,000 gallons of water. Usage over 8,000 gallons shall be billed at a rate of \$4.00 _____ per thousand gallons.
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7. Provided the rates are not opposed by 50% + 1 customer, the new rates will go into effect on July 1, 2022 to be reflected on the August 1, 2022 billing.

THEREFORE, BE IT RESOLVED by the Alleghany County Water District Board of Directors that the rate change as outlined above is approved for the purpose of starting the Proposition 218 process.

BE IT FURTHER RESOLVED THAT that, the General Manager is instructed to begin the Proposition 218 process utilizing the draft Prop. 218 notice as approved by the Board of Directors at the May 10th meeting, to be mailed by May 13th.

BE IT FURTHER RESOLVED THAT provided the rate change above passes the Proposition 218 process, the district ordinances will be updated to reflect this change at the next regular board meeting AFTER the June 28th Public Hearing, to take effect retroactively to July 1, 2022.

PASSED & ADOPTED by the Board of Directors of Alleghany County Water District on the 10th day of May 2022 by the following vote:

Ayes: Nays: Abstain: Absent:

_____ **DRAFT**