



bear valley
WATER DISTRICT

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PROPOSITION 218 NOTIFICATION

**NOTICE TO PROPERTY OWNERS OF PUBLIC HEARING
ON PROPOSED CHANGES TO SEWER RATES**

Hearing Date & Time: May 24, 2014, 10 AM

Hearing Location: Perry Walther Building, 325 Creekside Drive, Bear Valley, CA 95223

Basis of Proposed Rates

The Bear Valley Water District (“BVWD” or “District”) has prepared a three-year budget to plan for annual, recurring expenses as well as periodic expenses associated with its NPDES discharge permit, which is up for renewal in 2016.

The District Engineer has finalized a report and supporting memorandum dated August 7, 2013 (hereinafter collectively “Rate Report”) that recommends sewer rates that meet the revenue requirements of the District and addresses the unpredictability and variability of charges for its commercial customers. The Rate Report can be viewed at www.bearvalleywater.org and is also on file and available for public review at the District office at the Bear Valley Water District, 441 Creekside Drive, Bear Valley, CA 95223.

New Sewer Rates

The rate structure for residential users is proposed to change from a progressive rate to a flat fee in the amount of \$90.37 per month for all residential users. The proposed commercial users’ rate system will change from a calculation that includes residential use to a fixed cost of \$0.064 for each gallon of water used, with a minimum monthly charge of \$80.43, representing the fixed cost to be connected to the BVWD system.

Why is a Rate Adjustment Needed?

In 2011, the District’s NPDES discharge permit was renewed without requiring the construction of a costly tertiary treatment facility. However, the NPDES permit still requires regular testing, reporting and potential mitigation requirements over its five-year term. In 2016, the District will have to go through the NPDES permit renewal process again, re-making its case that tertiary treatment is not needed, with attendant engineering and legal costs. The current sewer rates charged by the District will not cover the District’s costs to operate, maintain and replace aging infrastructure and service debt on the existing wastewater system and provide additional funds for NPDES requirements and renewal, even with the District’s plan to offset the additional expenses with \$250,000 in operating reserves.

Why is the Residential Rate Structure Changing?

Since there was no practical way of determining sewer use for each residence, BVWD historically charged for sewer services on the assumption that sewer requirements were proportional to the number of bathrooms and kitchens in a home. The more bathrooms and kitchens a home had, the greater the presumed use, and the higher the fee. Currently, rates vary from a low of \$76.50/month to a high of \$252.45/month. Since water meters were installed by Lake Alpine Water Company for much (but not all) of Bear Valley in 2007, the District now has access to actual data using water meter information. That data reflects that the number of bathrooms and kitchens in a home is not a reliable predictor of how much water/sewer services it uses, and BVWD's practice of billing according to number of bathrooms is not a fair measure of load on the system.

Further, based on the District Engineer's review, approximately 89% of BVWD's expenses are fixed ("89% Fixed Costs"), meaning that most expenses are incurred to have a system in place and operational, irrespective of how heavily it's used. Thus, variable sewer usage only makes up 11% of the costs of providing service to District customers.

The proposed rate structure addresses these realities by establishing a single fixed residential rate on the basis that (1) every user should share equally in the 89% Fixed Cost, and (2) there is no practical way to assign the 11% sewer usage cost on a residential ratepayer-by-ratepayer basis. This will result in an increase for ratepayers that are currently charged \$229.50/quarter and a decrease for other residential ratepayers.

Why is a Commercial Rate Adjustment Needed?

Commercial rates have been historically calculated based on two factors: (1) the amount of water used by a business in the preceding year and (2) the relationship of a business' water use to average residential use. This calculation creates a great deal of uncertainty for local businesses because of the residential water use portion of the calculation.

For example, if a business uses 100,000 gallons of water every year, it might be billed at 5 times the residential rate one year and 10 times the residential rate the next year, dependent entirely on whether residences averaged 20,000 gallons per household or 10,000 gallons per household. If a business' water use declines, its sewer bill could still go up, depending on the average amount of water used by residences.

After reviewing the District's three-year budget, the District Engineer prepared a calculation of \$0.064 cost-per-gallon to process sewage. Since water usage information for local businesses is readily available, the proposed commercial sewer rate for local businesses will be calculated at a rate of \$0.064 times the number of gallons of water used by a specific business, with no reference to average residential water use. Currently the water usage for the preceding fiscal year is used for each commercial user.

Because 89% of the District's costs are fixed, the minimum monthly charge for any commercial customer connected to the system, even with no water usage, will be \$80.48, the same Fixed Cost assigned to residential customers. Thus, if the amount of water used multiplied by \$0.064 per gallon is less than \$80.48, then the user shall pay the minimum monthly charge of \$80.48, or \$965.76 per year.

The current minimum annual charge for commercial customers is \$0 (for non-use) and \$918 for all other commercial ratepayers. This proposed rate structure, commonly used in other districts, will provide more predictability to commercial ratepayers' sewer rates because it doesn't include an annual reference to residential use.

Proposed Sewer Rates

	Current	Proposed Rates 2014-15 and thereafter ^[1]
Residential	\$76.50 - \$252.45 [2] per month	\$90.37 per month
Commercial	\$0.074 per gal.	\$0.064 per gal.[3]

[1] The new sewer rate will be effective on July 1, 2014. Starting 2016/2017 and the four years thereafter, the above rates may be adjusted annually by the percentage increase, if any, of the United States Department of Labor All Item Consumer Price Index for All Urban Consumers (CPI-U) – (1982-84 Base 100).

[2] \$76.50 is a minimum flat rate for up to 3 bathrooms/kitchens. Each additional bathroom or kitchen is an additional \$25.50/month.

[3] Under the proposed rate change, the commercial minimum monthly charge will be \$80.48 which is equal to residential “89% Fixed Costs”. The commercial customer’s charge will be their water usage at \$0.064 per gallon or the minimum monthly charge, whichever is greater, which is currently based on the preceding fiscal year’s water usage.

Impact on Your Bill

Single family residences, condos and Lake Alpine permittees currently pay fixed, but progressive, sewer charges ranging from \$76.50 per month to \$252.45[2] per month. Under the proposed rates, all residential customers will pay a total of \$90.37 per month beginning July 1, 2014. Commercial users currently pay a total of \$0.074 per gallon for sewer service, with a minimum fee of \$0 for non-users and \$918 per year for all others. Under the proposed rate, commercial users will pay \$0.064 per gallon of water used/sewage discharged, with a minimum monthly rate of \$80.48 to be connected to the system. The District currently bills customers on a quarterly basis which it may change by ordinance.

Compliance with Proposition 218

In 1996, California voters approved Proposition 218, which amended the state constitution as it relates to the passage of property-related fees. “Prop 218” requires that local governments follow a strictly defined process for setting fees such as water or sewer bills. Generally speaking, the District must (1) inform rate-payers that a proposed rate increase is being considered (this notice), (2) clearly demonstrate the basis on which these fees are calculated (this letter and the Rate Report), and (3) hold a public hearing at least 45 days after noticing property owners at which time the District hears all protests to the rate increase. These rates are subject to “majority protest” meaning they **cannot be passed** if a majority of property owners (or renters/lessees, where the renter/lessee is financially responsible for the bill) impacted by the rate change submit written and signed protests opposing the increase.

To Protest These Changes

If you have questions or comments about the proposed rate changes or wish to protest, you may:

Address the Board of Directors: Attend the Public Hearing on May 24, 2014, at 10 AM at the Perry Walther Building in Bear Valley, CA.

Write: Written protests against the proposed rate change must be received by the District by the close of the public hearing on May 24, 2014 and must identify an owner of the property, the parcel (APN) number or address of the affected property, and include the original signature of an owner or renter/lessee (if they are financially responsible for the bill) of the parcel. Only one objection per parcel will be counted in calculating a majority protest to the proposed rate change.

If the District receives written protests against the proposed rates by a majority of the affected property owners/renters/lessees prior to the end of the hearing, the District cannot approve the change.

Written protests may be sent to:

**Bear Valley Water District,
PO Box 5027, Bear Valley, CA 95223**

Please note that e-mail and photo copies of signed protests will not be accepted.