

**NOTICE TO ALL PROPERTY OWNERS OF THE CSA #41
FREESTONE WATER DISTRICT**

**PROPOSAL TO INCREASE WATER RATES AND PUBLIC
HEARING ON THE PROPOSED RATE INCREASE**

NOTICE IS HEREBY GIVEN that the County of Sonoma Board of Supervisors will hold a public hearing at the following date, time, and location to consider a proposed increase in the water rates charged to the customers of the Freestone Water District and to receive protests against the proposal.

Date: September 13, 2016
Time: 2:10 p.m.
Location: Board of Supervisors Chambers
575 Administration Drive, Room 102A
Santa Rosa, California, 95403

At the hearing, all interested persons will be entitled to address the Board of Supervisors concerning the proposed rate increase.

Procedure to Protest the Proposed Water Rate Increases.

Under Proposition 218, if you are the owner of record for a parcel or a tenant directly liable for payment of fees subject to the proposed rate increases, you may submit a *written* protest regarding the proposed rate increases. In order to be considered, *written* protests must be submitted in the following manner: 1) *written* protests must be *actually received (not postmarked)* by the Department of Transportation and Public Works, Attention: CSA #41 Freestone Protest, 2300 County Center Drive, Suite B100, Santa Rosa, California, 95403, by 5:00 p.m. on September 12, 2016; or 2) *written* protests will be accepted if *hand delivered* to the Clerk of the Board *prior to the close of the public hearing on September 13, 2016.*

Either prior to, or at the public hearing, property owners or tenants may submit written protests in respect to the proposed rates. At the public hearing, the Board will consider all written protests which have been received by the prescribed deadline. In order to be considered, a written protest must be made on the attached form. Only one protest will be counted per parcel. Only protests signed by the current owner(s) or the current tenant(s) will be allowed and must be received no later than the following deadlines:

- A property owner may submit a written protest rejecting the charge. If submitted by mail, the written protest must be received (**NOT** postmarked) by 5:00 p.m. on Monday, September 12, 2016, at the mailing address on the form.
- Alternatively, a property owner may submit his/her protest by hand delivering it. If hand delivered, a property owner may deliver his/her written protest no later than the close of the public hearing on September 13, 2016, to the Clerk of the Board at the address set forth in the above opening paragraph.

Detailed Information

The following additional information regarding the nature of the proposed rate increase is provided in accordance with Proposition 218 (Section 6 of Article XIII D of the California Constitution).

1. Background.

a. Water Rate Increases: At the present time, the monthly water rate is made up of two components: the Base Rate component and the Water Usage component. The Base Rate applies to all customers and is dependent on the size of the installed water meter; the Water Usage applies to each customer on a per 1,000 gallons use in a three-tiered rate structure intended to recover the variable costs of water, including costs for meeting peak demand during high-use periods and related to conservation efforts.

b. Trucking Water From Outside Sources: Between 2013 and 2015, the State of California experienced record dry conditions. On January 17, 2014, Governor Brown proclaimed a State of Emergency and directed state officials to take all necessary actions to prepare for the drought conditions. Subsequently, on January 24, 2014, the United States Department of Agriculture designated the County of Sonoma a natural disaster area due to drought, and on February 25, 2014, the County of Sonoma Board of Supervisors declared a local emergency due to drought conditions (Resolution 14-0067 and Resolution 14-0068). With drought conditions persisting throughout California, the State Water Resources Control Board extended the emergency regulations on February 2, 2016 that required an immediate 25 percent reduction in overall potable urban water use statewide in accordance with Governor Jerry Brown's November 13, 2015 Executive Order. The Governor's Executive Order requires continued mandatory conservation for all residents and directs several state agencies, including the State Water Board, to take immediate action to safeguard the state's remaining potable urban water supplies in preparation for a possible fifth year of drought. On March 29, 2016, the Board of Supervisors adopted Resolution 16-0112 extending the regulations to restrict outdoor irrigation or ornamental landscapes or turf with potable water to no more than two days per week.

However, there remains a potential for the water source supplying water to the Freestone Water District to cease to provide sufficient water for its customers. In order to ensure that the residents have sufficient water, it is necessary to establish procedures to recover the cost of providing a source of water from sources outside of the Freestone Water District and to recover the cost of the water and the trucking services needed to deliver that water within the ordinance governing the Freestone Water District. These expenses are not currently in the budget for the Freestone Water District and sufficient revenues do not exist to cover such expenses. The State of California Water Code section 350 et seq. authorizes the governing body of a distributor of a public water supply to declare a water shortage emergency condition with the area service whenever it finds and determines that the ordinary demands and requirements of water consumers cannot be satisfied without depleting the water supply to the extent that there would be insufficient water for human consumption, sanitation and fire protection.

c. Proposed Increases. The proposed rate increase would result in a total revenue increase of 40% in year one; and 4% per year for the following four years. The following table shows the current and proposed rates, and if approved, would become effective thirty (30) days after approval by the Board of Supervisors. The following chart provides the estimated rates for

subsequent fiscal years which do not include the automatic annual inflationary increases as described in Section 3 below.

CSA No. 41, Freestone	Current Rates	Proposed Rates				
		(effective 10/13/16)	(effective 7/1/17)	(effective 7/1/18)	(effective 7/1/19)	(effective 7/1/20)
Proposed Revenue Change (%)		40%	4%	4%	4%	4%
Base Rate (meter charge)						
5/8" meter	\$42.17	\$59.00	\$61.36	\$63.81	\$66.37	\$69.02
1" meter	\$43.56	\$61.00	\$63.44	\$65.98	\$68.62	\$71.36
1-1/2" meter	\$45.04	\$63.00	\$65.52	\$68.14	\$70.87	\$73.70
2" meter	\$47.21	\$65.00	\$67.60	\$70.30	\$73.12	\$76.04
Water Usage (per 1,000 gal)						
1 to 15,000 gal/ESD	\$12.67					
15,001 to 20,000 gal/ESD	\$18.42					
Over 20,000 gal/ESD	\$27.63					
1 to 6,000 gal/ESD		\$21.35	\$22.20	\$23.09	\$24.02	\$24.98
6,001 to 12,000 gal/ESD		\$23.42	\$24.36	\$25.33	\$26.34	\$27.40
Over 12,000 gal/ESD		\$32.63	\$33.94	\$35.29	\$36.70	\$38.17

Note: Rates do not include the annual inflationary increase that will be extended by the proposed Ordinance. The CPI has not yet been published by the Bureau of Labor Statistics as of the preparation of this notice.

CSA No. 41, Freestone	Current Rates	Proposed Fee
Special Project Water Fund Loan Repayment:	Monthly	Annually
Charge on Monthly	\$30.59	\$0
Annual Property Related Charge Collected on County of Sonoma Property Tax Roll for 10 Years	\$0	\$523.80

3. **Basis for Calculation of Monthly Rates.** As required by California Water Code, Section 31007, the proposed Freestone Water District rates are set so as to generate sufficient revenue to pay the operating expenses and provide for repairs and depreciation of water works owned and operated by the Freestone Water District (District).

The Freestone Water District’s 2016-2017 budget details the Freestone Water District’s estimated costs. The District recently completed a rate study, which projected annual revenue requirements over the next five years, allocated costs to water customers served, and evaluated and recommended a rate structure to collect service charges sufficient to meet the District’s financial needs. This study included allocating costs to customers based on three types of costs: commodity costs (total water consumption), capacity costs (system infrastructure), and customer costs (meter reading, billing and related administrative costs).

Based on the rate study results, the District is changing how rates are being collected from customers. Currently rates are collected using a monthly Base Rate (or meter charge) that increases with meter size for all customers within the District, and three-tiered Water Usage (volumetric) rates (per 1,000 gallons). New rates will continue to charge a monthly Base Rate that increases with meter size, and the ranges of the three-tiered Water Usage rate have been adjusted.

The Base Rate component (that is, the fixed “meter charge” shown above) spreads the Freestone Water District’s fixed costs (those costs that are not dependent on water usage, such as the administration of the Freestone Water District, fiscal accounting and audit services, and depreciation) to all customers based on meter size to recover the additional cost to maintain and provide service to the larger size meters. The Water Usage Rate component spreads the Freestone Water District’s variable costs to customers based on a three-tiered system related to water usage to recover the operating and maintenance costs that increase as the amount of water usage increases.

New rates are designed to collect 70% of total annual revenue from Base Rate charges and 30% from Water Usage charges. As demonstrated by the rate study, revenues derived from the water rate do not exceed the funds required to provide the property related service. Revenues derived from the water rates will not be used for any purpose other than that for which the rate is charged. The amount of the water rate does not exceed the proportional cost of the service provided. The District’s rate consultant and the Board of Supervisors consider this to be a fair and equitable manner of collecting the costs of providing water service and providing financial stability for the District.

4. ***Basis for Calculation of Annual Property Related Fee.*** The cost of the loan for of the property related fee is \$146,662.76 which represents a loan principal of \$125,900.00 at 3% interest for 10 years. The total annual property related fee will be \$523.80 divided into two biannual payments of \$261.90. The purpose of this loan is three fold:

(1) Replacement and installation of a new treatment system for the Freestone Water District water treatment facility.

(2) Pay off of the \$75,000 loan from the Special Project Water Fund provided to the District during Fiscal Year 2011/12. The remaining loan balance of \$43,159.53 is anticipated to be paid back to the Special Projects Water Fund after approval of the new loan by the Board of Supervisors at the September 13, 2016 Board meeting. Currently customers are paying \$30.59 per month. If the new loan is approved by the Board, this fee will be removed from the monthly bills.

(3) Reimbursement to the Special Projects Water Fund for funding provided to pay ongoing expenses during FY 15/16 in the amount of \$62,741, including costs associated with hauling water from outside sources to ensure that sufficient potable water was available for human consumption, sanitation and fire protection.

Actual payments will start on or about September 15, 2017 after sufficient funds to make a loan payment have been collected from the Sonoma County tax roll for the property related charge. The Board of Supervisors will consider a recommendation to fund the loan from the Special Projects Water Fund during the September 13, 2016 Board meeting. The property related charge shall be applied to all properties within the Freestone Water District boundaries.

4. ***Reason for Imposing Rates.*** Water system rates for the Freestone Water District have not been adjusted since Fiscal Year 2011-2012. The reason for the increase to fees is to continue providing water service to your property in compliance with state requirements while meeting rising costs for operating and maintaining the system which include providing for repairs and

depreciation of the water system, unforeseen emergencies, and other lawful obligations and expenses of the Freestone Water District. The following additional details are provided:

a. Increase to the base rate: This component is an increase to each of the different meter charges. This rate is charged to each property owner based on the meter size located at the property. Base Rate revenues are currently not sufficient to provide for fixed costs such as administration, fiscal accounting services, and depreciation.

b. Increase to the Water Usage Rates: This component is an increase to the Water Usage component (per 1,000 gallons). The Freestone Water District has, for several years, been operating in a deficit mode. Revenues from the sale of water to customers do not cover the increased costs for laboratory services, engineering services, and utilities requiring the use of reserves, thereby reducing the overall balance of reserves. Because this practice is not sustainable, it requires water usage rates to be increased to ensure that there are sufficient revenues to cover all expenses that the Freestone Water District incurs and provide a reasonable level of additional funds to cover unanticipated and emergency expenses.

c. Multi-Year Increases to Base Rate and Water Usage Rates: A multi-year rate increase is proposed, which has been shown to provide sufficient revenues to meet expenses and to increase reserves.

d. Property Related Fee: The property-related fee will be collected on the Sonoma County tax roll to repay a loan from the Special Projects Water Fund of \$146,662.76. In order for this loan to be approved by the Board of Supervisors, there must not be a successful majority protest from the District property owners. If there is a successful majority protest, the loan will not be approved by the Board of Supervisors, and the current \$30.59 per month fee will continue to be collected on the monthly bills.

e. Lifeline Charges: It is necessary to remove this language because it does not conform to the provisions of Proposition 218 (Section 6 of Article XIII D of the California Constitution). No customers in the Freestone Water District will be affected by this change.

5. Additional Charges for Delivery of Water from Outside Sources. Additional charges for the actual cost of water from outside the Freestone Water District and the delivery costs associated with transporting the water to the Freestone Water District tanks would be charged based on the same Water Usage component (per 1,000 gallons) as already established within the Freestone Water District's ordinance. This would be an additional charge on each customer's monthly bills.

6. Backflow Prevention Devices. Those properties that have the ability to reconnect to water wells or any other unapproved water source are required to have a backflow prevention device installed and maintained in order to comply with the California Code of Regulations, Title 17 Public Health, Division 1 State Department of Health Services, Chapter 5 Sanitation (Environmental), Subchapter 1 Engineering (Sanitary) Group 4 Drinking Water, Sections 7601 to 7605. In order to ensure compliance with these regulations, a new section has been added to the Freestone Water District ordinance, including a new fee of \$5.00 per month. This fee covers the cost of annual testing of the required backflow prevention device only. Any additional costs required for repair, maintenance, and/or replacement shall be billed directly to the customer on

the monthly billing. This section only applies to those customers that are required to have backflow prevention devices.

7. **Additional Information.** Community members of the Freestone Water District were provided an opportunity to ask questions about the current budget that necessitates the increase to proposed rates at an informational meeting held on May 24, 2016. County staff has continued to work with the Freestone Water District Community Committee (“Committee”) that has recommended approval of the rates contained within this notice. In addition, the Committee has gained 100% of the community’s support to maintain the proposed three-tiered rate structure.

Copies of the proposed ordinance increasing the water system rates will be filed with and available for review approximately one week before the public hearing at the Department of Transportation and Public Works, 2300 County Center Drive, Suite B100, Santa Rosa, California, 95403. Additional questions can be addressed to Donna Caldwell at the address listed above.

Dated: July 27, 2016

COUNTY OF SONOMA
DEPARTMENT OF TRANSPORTATION AND PUBLIC WORKS

By: _____
Johannes J. Hoevertsz
Deputy Director