



## Notice of Public Hearing & Proposed Water Rates

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### Why did you receive this ballot?

You are a record property owner to be served by the Scotia Community Services District (SCSD) and are being asked to vote on a proposed funding measure to establish and maintain water services for the community of Scotia.

The enclosed ballot is your opportunity to participate in deciding whether local funding will be approved for establishing water treatment and distribution services, as well as the provision of raw water by the SCSD. Your vote is important because only returned ballots will be counted.

### Who is the Scotia Community Services District?

Scotia was built in the 1880s and has been maintained since then as a true company town located in the heart of California redwood country. Today Scotia is owned and operated by the Town of Scotia Company, LLC (TOS) which owns and leases out all residences and most businesses. However, the Town of Scotia is in the process of subdividing the properties and selling them into private ownership. To facilitate this transition to private ownership, the SCSD was formed to provide the town with essential services including water services.

### Why is a funding measure needed?

Water services in the community of Scotia have been privately funded by TOS and are in the process of being transferred to the SCSD, to be funded by the community. Establishing water rates will allow the SCSD to assume ownership and management of water infrastructure, and begin providing water service to the community.

The principle reasons for establishing the proposed water rates:

- Fund ongoing operations, maintenance, repairs, debt payments, and infrastructure costs for water service.
- Ensure revenue sufficiency to meet the operation and maintenance (O&M) and capital needs of the water treatment and distribution system.
- Plan for revenue stability to provide for adequate operating reserve and capital reserve.
- Provide a system to ensure fairness and equity in the user fees.
- Minimize rate impacts to reduce financial hardship on customers.
- Maintain simplicity for ease of administration and implementation, as well as customer understanding.

### How are the rates calculated?

The rate structure is designed to ensure that users pay only their proportionate share of costs. Rates include a service charge (base rate) and a commodity rate (water usage based on volume). The base rate is categorized into customers with similar service requirements and demand patterns, or in this case, meter sizes.

#### Typical Monthly Residential Rate

The rates represent an **average** individual residential user charge of approximately \$80/month, based upon the **example** calculation depicted below:

#### **EXAMPLE (for Average Residence):**

$$\begin{aligned} & (\frac{5}{8}\text{-inch meter} = \$47.69 \text{ Base Fee}) \\ & \quad + \\ & (1,236 \text{ cubic feet of water used per month} \div 100 = 12.36 \text{ units} \times \$2.63 = \$32.51 \text{ Commodity Fee}) \\ & \quad = \\ & \quad \quad \quad \mathbf{\$80.20/month \text{ Water Fee}} \end{aligned}$$

## How much are the proposed water rates?

### Proposed Water Base Rate

The following table shows the proposed Base Rate (meter charge) for water customers. A base is a cost recovery mechanism that generally is included in the rate structure to recover meter, customer and public fire protection related costs (i.e., costs related to maintaining hydrants), which provides a stable source of revenue independent of water consumption. Therefore, customer costs related to meter reading, billing, and hydrant maintenance are recovered through the base rate.

<b>Proposed Monthly Base Rate FY 2016-2017</b>	
<b>Meter Size (inches)</b>	<b>Monthly Base Rate</b>
5/8"	\$47.69
3/4"	\$71.54
1"	\$119.23
1 1/2"	\$238.46
2"	\$381.54
3"	\$715.38
4"	\$1,192.30
6"	\$2,384.60
8"	\$3,815.36

### Proposed Water Commodity Rate

The following illustrates the proposed Commodity Rate for water customers. The commodity rate is water usage based on volume that will recover the SCSD's variable volume-related costs. Because a portion of the revenues required from each customer is to be recovered through uniform monthly base rates, commodity rates are designed to recover only revenues expended for the cost for additional water and other associated costs (for example, electricity to pump the additional water).

**Proposed Commodity Rate is \$2.63 per 100 cubic feet (cf) of water used**

### Proposed Raw Water Rate

The SCSD will be supplying raw water, diverted from the raw water feed line to a few irrigation and other industrial use customers. The raw water rate is based upon the cost of pumping (electrical cost/cf + Pump Replacement Cost).

**Proposed Raw Water Rate is \$0.22 per 100 cf of water used**

The total amount of Water User Fees proposed to be collected from identified parcels within the SCSD for fiscal year 2016-2017 is \$366,878 for treated water and \$33,590 for raw water.

## Will the water rates increase in the future?

As a "start-up" district, the projected expenses are based upon industry standards and guided estimates. The District must establish its operations to see the actual revenues and expenditures, on which future rates may be more accurately based. Revenues and expenses will have to be monitored throughout the next several years and adjustments made in the user rates when necessary and practical.

Per State law, revenues generated from the proposed water rates must only be used to fund the actual costs of providing water services, including the cost of debt incurred to finance capital improvement projects by the SCSD, such as a new water treatment facility.

Revenues collected in the first few years are projected to exceed estimated O&M, debt service and replacement expenses. During the first few years, revenues that exceed O&M, debt service and equipment replacement costs may be placed in a capital reserve fund to offset any debt financing requirements for future capital improvements, and to offset increases due to inflation, or will be carried over for use for the same purpose in the next fiscal year.

The District’s proposed water rates are established with an annual 1.5% escalation factor to account for cost of living increases for an initial five-year period. The proposed water rates may also be increased to an amount not to exceed 3% based on the consumer price index (CPI) if approved by the SCSD.

Additionally, proposed changes to water rates may also occur based on “pass through” costs, which include the purchase of uncontrolled, mandatory services (such as, utility costs). Further details and explanations are in the District’s User Rate Analysis.

Any new or increased water rates above the allowed CPI increase would require another Proposition 218 proceeding and record property owner approval.

See the table below which details the anticipated water rates (Base Rate and Commodity Rate) over the next 5 years.

<b>Water Rates over the Initial 5-year Period</b>					
	<b>FY 16/17</b>	<b>FY 17/18</b>	<b>FY 18/19</b>	<b>FY 19/20</b>	<b>FY 20/21</b>
Monthly Base Rate per Meter Size					
<i>5/8"</i>	\$47.69	\$48.52	\$49.14	\$49.96	\$50.79
<i>3/4"</i>	\$71.54	\$72.78	\$73.71	\$74.95	\$76.19
<b>1"</b>	\$119.23	\$121.29	\$122.84	\$124.91	\$126.97
<b>1 1/2"</b>	\$238.46	\$242.59	\$245.69	\$249.82	\$253.94
<b>2"</b>	\$381.54	\$388.15	\$393.10	\$399.71	\$406.32
<b>3"</b>	\$715.38	\$727.77	\$737.06	\$749.45	\$761.83
<b>4"</b>	\$1,192.30	\$1,212.95	\$1,228.43	\$1,249.08	\$1,269.72
<b>6"</b>	\$2,384.60	\$2,425.89	\$2,456.86	\$2,498.15	\$2,539.44
<b>8"</b>	\$3,815.36	\$3,881.43	\$3,930.98	\$3,997.04	\$4,063.11
Monthly Commodity Rate					
<i>Treated Water</i> (per 100 cf water used)	\$2.63	\$2.68	\$2.71	\$2.76	\$2.80
<i>Raw Water</i> (per 100 cf water used)	\$0.22	\$0.22	\$0.23	\$0.23	\$0.23

The above schedule shows the approximate rate schedule over the next 5-year period. These numbers do not account for pass through costs, or inflation above the 1.5% built in CPI.

**If I have questions, concerns, or want to return my ballot in person, where can I go?**

On **Thursday, June 16, 2016, at 5:30 p.m.**, the Board of Directors of the SCSD will hold a **noticed public hearing** on the proposed water rates at the SCSD Office, located at 122 Main Street, Scotia, California.

At the hearing, the Board will consider oral and written testimony (as well as written objections and protests) regarding the proposed water rates. The enclosed ballot may be returned to the SCSD at the public hearing prior to the end of public comment period, or may be mailed or hand delivered to the SCSD prior to the public hearing.

The Board will not impose the water rate if, upon the conclusion of the public hearing, a majority of record property owners file written protests opposing the rates. Only one written protest per affected property will be counted towards the majority protest.

If you have questions about this notice or the proposed water rates, please contact SCSD at **(707) 506-3030** Mondays and Thursdays from 1:00 p.m. to 5:00 p.m., or at **infoscotiacsd@gmail.com**. Completed Water Rates Ballots, as well as written comments and protests for the Board’s consideration at the hearing, can be delivered to the SCSD Office or mailed to PO Box 104, Scotia, CA 95565.