



SUMMARY REPORT

Agenda Date: 11/2/2021

To: Board of Supervisors

Department or Agency Name(s): Transportation and Public Works

Staff Name and Phone Number: Johannes J. Hoevertsz, 707-565-2231

Vote Requirement: 4/5th

Supervisorial District(s): Fourth

Title:

1:30 P.M. CSA #41 Water - Fitch Mountain/ Prop 218 Hearing/ Adopt Amended Water Ordinance

Recommended Action:

- A) Conduct a hearing of the Board of Supervisors pursuant to Proposition 218 for CSA #41 Fitch Mountain Zone of Benefit ("Zone") to consider proposed continuance of annual CPI increase for providing water service effective July 1, 2022.
- B) If no majority protest exists, introduce and adopt an amendment to Ordinance No. 4023 of the Board of Supervisors for the Zone.

(4/5th Vote Required)(Fourth District)

Executive Summary:

The Department of Transportation and Public Works will conduct a hearing to consider proposed continuance of an annual Consumer Price Index (CPI) increase for providing water service to the County Service Area (CSA) #41 Fitch Mountain Zone of Benefit. The County provides water services to the community of Fitch Mountain and maintains the water system with revenues received from the sale of water and along with monthly meter charges. Rates are analyzed every five years and voted for approval by the Board of Supervisors through a Proposition 218 process. This ensures rates are equitable and sufficient to fund water utility operations and capital improvements. In November 2020, County staff evaluated existing water rates and determined that continuing with the existing rate structure inclusive of annual inflationary increases was sufficient to cover the maintenance and operations cost to provide water service to the residents of Fitch Mountain. The system's fund balance and CPI adjustment projections were shared with the Fitch Mountain Community Water Committee in December 2020 via virtual platform.

Staff is recommending the approval of an amendment to Ordinance No. 4023 to provide annual inflationary increases to Base rates, Water Usage rates, and other system fees over the next five years to the Zone.

Discussion:

The County's broad objective is to develop fair and equitable rates that adequately fund water utility operations and capital improvements in order to continue to provide water service to the residents in a manner that complies with safe drinking water laws.

Background

The Fitch Mountain Zone of Benefit is located in the unincorporated County outside the City of Healdsburg on Fitch Mountain (see Attachment 3). The Zone has 334 customers - 330 of the customers have a 5/8" meter, and 4 customers have a 1" meter. The current rate structure is made up of two components: the Base Rate component (meter charge) 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 per 1,000 gallons consumed in a single tiered rate structure. Water is purchased from the City of Healdsburg.

Financial Plan

On December 8, 2015, the Board executed an agreement with NBS Government Finance Group, Inc. (NBS) for a Financial Plan and Rate Update Study for the four County Service Area (CSA) #41 Zones of Benefit: Fitch Mountain, Freestone, Jenner and Salmon Creek Zones of Benefit (Zones). The goal of the project was to independently assess and evaluate each of the four zones' existing financial situations and provide recommendations on water rates that will provide each zone with financial stability. The new rates were implemented during the 2016/2017 fiscal year. After five years of implementing the rates proposed by NBS, the County has determined that the current water rates, with the implementation of an annual CPI adjustment, is sufficient to keep up with inflation and continue to accumulate the necessary revenue to provide water service to residents, including the cost of operations and maintenance of the Zone.

Proposed Rate Increase

The proposed rate increase is only for an annual inflationary, as published by the Bureau of Labor Statistics (BLS), increase to the existing water rates. The annual inflationary increase will allow the system's revenue keep up with rising operational and water system maintenance costs. If approved, rates would become effective July 1, 2022, and would increase revenues by 2%, or \$9,100.

The following chart provides the estimated rates for the next five years, which include an estimated automatic annual inflationary adjustment of 2%; however, this number is subject to annual fluctuations as published by the BLS:

CSA #41 Fitch Mountain	Current FY 21-22	Estimated 2% increase (effective 7/1/2022)	Estimated 2% increase (effective 7/1/2023)	Estimated 2% increase (effective 7/1/2024)	Estimated 2% increase (effective 7/1/2025)	Estimated 2% increase (effective 7/1/2026)
Base Rate (Meter Charge)						
5/8" meter	\$ 50.28	\$ 51.28	\$ 52.31	\$ 53.36	\$ 54.42	\$ 55.51
1" meter	\$ 117.18	\$ 119.52	\$ 121.91	\$ 124.35	\$ 126.84	\$ 129.38
1-1/2" meter	\$ 228.68	\$ 233.26	\$ 237.92	\$ 242.68	\$ 247.53	\$ 252.48
2" meter	\$ 362.49	\$ 369.74	\$ 377.13	\$ 384.67	\$ 392.37	\$ 400.21
Water Usage						
per 1,000 gallons of water consumed	\$ 13.09	\$ 13.35	\$ 13.62	\$ 13.89	\$ 14.17	\$ 14.46

Proposition 218 Procedures

A “Notice to All Property Owners of the CSA #41 Fitch Mountain Zone of Benefit” (see Attachment 3) regarding this public hearing and the proposal to adjust water rates was mailed to all property owners and tenants on September 10, 2021 (over 45 days prior to the public hearing) according to the provisions and requirements of Proposition 218 (Constitution of California, Article XIII D, Section 6 (2)). Under Proposition 218, owners of record for a parcel or tenant directly liable for payment of fees subject to the proposed rate increases may submit a written protest regarding the proposed rate increases no later than the close of the public hearing. If there is a majority protest of 50% plus 1 of the current property owners, then the new rates would not be adopted by the Board, and the rates would remain unchanged.

The Summary of Ordinance for CSA #41 Zones of Benefit was published five days before this public hearing.

Staff is recommending the approval of the amendment to the Ordinance No. 4023, as amended, of the Board of Supervisors for the Fitch Mountain Zone of Benefit approved on September 13, 2016.

Prior Board Actions:

9/13/2016: Board adopted Ordinance No. 4023, as amended, increasing rates for the Fitch Mountain Zone of Benefit.

12/8/15: Board approved Agreement with NBS Government Finance Group, Inc., to prepare a financial plan and rate update study for the CSA #41 Zones of Benefit.

9/18/2012: Board adopted Ordinance No. 6007, as amended, increasing rates for the Fitch Mountain Zone of Benefit and approving rates for FY 13-14.

8/9/2011: Board adopted Ordinance No. 5943, as amended, increasing rates for the Fitch Mountain Zone of Benefit and approving a three-year rate structure.

7/12/2011: Board conducted a public hearing pursuant to Proposition 218 majority protest procedures, and finding no majority protest existed, introduced and considered an amendment to Ordinance No. 5785, as amended, for rate increases.

FISCAL SUMMARY

Expenditures	FY 21-22 Adopted	FY22-23 Projected	FY 23-24 Projected
Budgeted Expenses	\$0	\$9,100	\$9,258
Additional Appropriation Requested			
Total Expenditures	\$0	\$9,100	\$9,258
Funding Sources			
General Fund/WA GF			
State/Federal			
Fees/Other	\$0	\$9,100	\$9,258

Use of Fund Balance			
Contingencies			
Total Sources	\$0	\$9,100	\$9,258

Narrative Explanation of Fiscal Impacts:

The Zone primarily receives its revenue through monthly Base Rate and Water Usage charges. The FY 2021-22 adopted budget for CSA #41 Fitch Mountain Water Operations projected revenues at \$453,809, which includes revenues from sale of water, as well as anticipated interest revenue. If the CPI increase is approved, revenues are anticipated to increase by 2%, or \$9,100, effective July 1, 2022, and would be included in the FY 2022-23 recommended budget.

Narrative Explanation of Staffing Impacts (If Required):

None.

Attachments:

1. Ordinance amending Ordinance No. 4023, as amended, of the Board of Supervisors for the CSA #41 Fitch Mountain Zone of Benefit.
2. Notice to All Property Owners of the CSA #41 Fitch Mountain Zone of Benefit.
3. Map of the Fitch Mountain Zone of Benefit.
4. Fund Balance Sheet.
5. Power point presentation to Board

Related Items "On File" with the Clerk of the Board:

None.