



Board Agenda Item 8

DATE: June 20, 2023

TO: Board of Supervisors

SUBMITTED BY: Steven E. White, Director
Department of Public Works and Planning

SUBJECT: Protest Hearing on Water Service Fees - Increases for County Service Area 30
Water Service Fees - El Porvenir

RECOMMENDED ACTION(S):

Conduct public hearing and receive written protests submitted prior to the close of such public hearing from property owners (including their tenants) receiving water service from County Service Area 30, El Porvenir (CSA 30), on a proposal for annual increases in the water service fees for surface water (including any automatic adjustments for any changes by the County's surface water supplier, in the cost of surface water provided to the County for CSA 30, and the County's pass-through of any such cost changes to such water users [Gov. Code secs. 53755 and 53756]) and for groundwater (after the new groundwater wells are completed and are in service) to be paid by such water users of the CSA 30 community water system beginning July 1, 2023 and continuing through and including June 30, 2028, pursuant to California Constitution Article XIID, Section 6 (Proposition 218) and, and upon completion of the public protest hearing, approve action item A (additional direction needed for B and C) or D, below, as applicable:

- A. If the Board of Supervisors (Board) finds that there is not a majority protest against such proposal to increases in the water service fees, the Board may adopt a Resolution authorizing such annual increases (including any such automatic adjustments for any changes in the cost of surface water, and such the pass-throughs of any such cost changes) in the water service fees for CSA 30, El Porvenir, beginning July 1, 2023 and continuing through and including June 30, 2028; and
- B. If the Board finds there is not a majority protest and adopts the Resolution described in proposed action A, above, the Board should direct Department staff to utilize revenues to fully amortize and pay off the negative balance in the amount that is stated in the report supporting this proceeding over the term established for this rate increase, which is through June 30, 2028, and at the end of such term to assist the County's engineer in preparing appropriate proposed new water service fees for the next rate-setting period for CSA 30 water service fees; and
- C. If the Board finds there is not a majority protest and adopts the Resolution described in proposed action A, above, the Board should direct Department staff to bring the subsequent Proposition 218 proceeding to set water service rates for CSA 30 sufficiently in advance of the expiration of the term established for this rate increase to assure that changes to the new water service rates, whether a decrease or an increase, are able to be put in place at the expiration of the term established for this rate increase; or
- D. If the Board finds that there is a majority protest against the proposal for such increases in the water service fees for CSA 30, El Porvenir, make the determination that there is such a majority protest and abandon the proceedings regarding the proposal for such increases in

the water service, and direct the Department to hold a future public meeting with property owners and tenants receiving water services from CSA 30 recommending immediate cost saving steps that include, but are not limited to, encouraging water conservation.

The proposed increases in water service fees are recommended in order to provide necessary funds for the operations and maintenance (O&M) of the community water system in County Service Area 30, El Porvenir (CSA 30), over five years (July 1, 2023 through and including June 30, 2028), assuming that CSA 30 customers timely and fully pay their CSA 30 water bills.

The proposed increases in water service fees include two sets of fees, depending on the following: (1) the CSA 30 community water system initially provides surface water to CSA 30 customers, which is their current source of water; and (2) CSA 30's community water system transitions from the current surface water source to a groundwater source. The transition to a groundwater source is presently estimated to be completed by July 1, 2025, and the increases in water service fees for groundwater would be charged to CSA 30 customers once that transition is actually completed.

The proposed increases in water service fees (depending upon whether surface water or ground water is the source) are comprised of a fixed base fee component for all water users and a variable fee component that will be charged for variable operations and for water usage. The variable fee includes automatic adjustments in such fees that pass through to CSA 30 customers any changed costs of surface water provided by Westlands Water District, the surface water supplier (Westlands).

The base fee component also includes charges for: (1) payments of CSA 30's negative cash balance of water services fees that have been held by the County, and not yet charged to CSA 30 customers (and interest thereon due to non-collection), for multiple years (total of \$477,790.92); (2) repayments that would allow CSA 30 to build a minimum cash reserve in the amount of \$193,000 (total amount based on 5 years of \$38,600/year), which is intended to cover a certain amount of unanticipated expenses, as required by County Board policies; and (3) payment for 2.00% annual escalations of certain costs, generally (a difference from this rate for one fiscal year only is further detailed below).

The proposed fee increases are limited to five years because (1) any automatic adjustments in such fees that pass through to CSA 30 customers any increased costs water (here, surface water), or adjustments for annual escalations, are limited to five years (See Gov. Code sec. 53756), and (2) such increases in fees have incorporated payments for negative cash balances and interest thereon, that are spread over that period.

The increased water service fees do not include any reduction, offset, or adjustment for (1) any possible funding that the County is attempting to obtain from other agencies, such as possible State grant funding, because such funding has not yet been obtained or (2) any County relief.

A "majority protest" exists if the Board finds that valid written protests against the proposed increases in the water service fees are submitted, prior to the close of the protest hearing, by a majority of the property owners (including their tenants) receiving water service from CSA 30. Therefore, potential action items A or D are proposed, depending on the outcome of the public protest hearing.

There are a total of 56 parcels receiving water services from CSA 30, including 2 out-of-district connections. Therefore, if the Board finds that at least 29 timely, valid written protests are received by the Clerk of the Board of Supervisors, that would constitute a "majority protest" (i.e., a majority of property owners, including their tenants).

Action item A provides that if the Board finds that there is no majority protest, and the Board, in its discretion, decides to adopt the increases in water service fees, the increases will go into effect; in that case, those increases would go into effect as follows: (1) on July 1, 2023 for the surface water provided to CSA 30

customers; with an increase to occur on July 1st of each following year, and (2) upon the transition of CSA 30 community water system from the current surface water source to a groundwater source. The proposed increased water service fees differ, depending on the source of water provided. The Board will direct Department staff to utilize revenues to fully amortize and pay off the negative balance in the amount that it exists on the date of this proceeding over the term established for this rate increase, which is through June 30, 2028. The amount able to be paid off depends on CSA 30 customers paying their bills timely and in full. The Board will also direct the Department to analyze CSA 30's financial status before the end of the five-year period to assist the County's engineer in proposing new appropriate water service fees.

Action item D provides that if the Board finds that there is a majority protest, then the proceedings would be abandoned. However, there will be insufficient funds to meet the O&M costs of the CSA 30 community water system, and therefore the alternative action D, above, the Department recommends that immediate cost savings steps be implemented, including but not limited to, water conservation.

Assuming the proposed fee increases are implemented, then toward the end of the five-year period, the Department would review CSA 30's finances, evaluate O&M costs of the CSA 30 community water system and assist the County's engineer in proposing appropriate new rates. This item pertains to a location in District 1.

ALTERNATIVE ACTION(S):

The Department has not identified any viable alternatives. If the Board declines to conduct the protest hearing, as recommended, or if the Board conducts the protest hearing, and finds a majority protest by the relevant property owners and/or tenants, or if the Board declines to adopt the increases in water service fees so that the increases in water service fees may not be charged, then CSA 30 would have insufficient funds to meet the O&M of the CSA 30 community water system as well as any unforeseen CSA 30 community water system costs that may occur.

FISCAL IMPACT:

There is no Net County Cost associated with the recommended actions. All costs associated with CSA 30, including those associated with the protest hearing, are paid for by the properties being served. All costs for the O&M of the water services shall be paid from the water service fee charged to the properties being served by CSA 30. Revenues from the currently established water service fees are not sufficient to cover CSA 30's O&M costs as well as any CSA 30 unforeseen community water system costs that may occur.

If the Board finds that there is not a majority protest and the Board adopts the recommended resolution, it will increase estimated revenues for County Service Area 30, El Porvenir Org 9170. Additionally, a budget resolution will be brought back to the Board at a later date.

If the Board finds that there is a majority protest, or if the Board declines to adopt the increase in water service fees, there will be insufficient funds to meet the O&M costs of the CSA 30 community water system and any unforeseen costs that may occur. The Department will communicate with members of the community who are served by CSA 30 by holding a future public meeting recommending immediate cost saving steps including, but not limited to, encouraging water conservation.

DISCUSSION:

1. History and location of CSA 30, and composition of CSA 30 customers

CSA 30 was formed in 1980 for the 58-lot El Porvenir subdivision (see attached site map), located on the west side of Derrick Avenue near Clarkson Avenue, approximately 30 miles southwest of the City of Fresno. CSA 30 consists of 54 recorded residential lots, a park, and three County-owned out lots. The CSA 30 water service is also supplied to two residential out-of-district users. Neither the park nor the outlots are

served by the CSA 30 water system.

2. The CSA 30 community water system

The CSA 30 community water system currently delivers surface water to CSA 30 customers.

Historically, the State Water Resources Control Board has claimed that the surface water treatment plant (SWTP) has not complied with the secondary maximum contaminant level for total haloacetic acids (HAA5) and total trihalomethanes (TTHM). As such, the County investigated developing groundwater wells to replace the current surface water supply. The County is in the process of constructing new water supply and distribution infrastructure to replace existing facilities. The source of water will change from surface water to groundwater. The existing surface water treatment plant will be abandoned, and two new groundwater wells will supply the water system.

The County secured grant funds from State Water Resources Control Board (the State Water Board) to construct the groundwater supply wells and the project is presently anticipated to be complete by July 1, 2025.

3. The proposal to increases in water service fees for CSA 30 - background

The Department recommends the increases in water service fees in 45-Day Notice (Attachment A), discussed below, for a five-year period, for two reasons. (For purposes of the proposed increased water service fees in this item, all references to “year” mean the period starting July 1st of a given year and ending June 30 of the following year).

First, there is the need to adjust the commodity charge for surface water and to provide for inflationary increases. The five-year period is limited by Government Code section 53756, which allows an agency providing water service to adopt a schedule of fees or charges authorizing automatic adjustments that pass through increases in wholesale charges for water (here, surface water) or adjustments for inflation.

Second, the proposed fee increases are limited to five years because they have incorporated payments for negative cash balances (and interest thereon due to non-collection) that are spread over that period.

These increases in water service fees are proposed because the current water service fees no longer generate sufficient revenue to meet CSA 30’s expenses. The last fee increase was adopted by the Board of Supervisors as a result of a successful Proposition 218 proceeding on August 9, 2016. The costs include purchasing untreated surface water from Westlands, the cost to treat that water, and the cost to deliver that water to CSA 30 customers. Cash reserves are completely depleted.

The CSA 30 community water system currently has a negative cash balance, and unpaid held charges (including interest thereon) for multiple years, in the amount of \$477,790.92. Those costs have not yet been charged by the County to the CSA 30 community water system’s account. As a result, held charges are temporarily allocated to other County funds and those charges are applied to the CSA 30 community water system at the beginning of the next fiscal year. When the CSA 30 community water system’s cash balance is exhausted, expenses are paid with other County funds (e.g. - purchase of chemicals, materials, electricity, and cost of repairs) and as a result there is a negative cash balance for accounting purposes. Such negative balance does not relieve the CSA 30 community water system, including its customers, of its obligation for the full payment of those expenses.

Solely to ensure that other County public funding sources are made whole, the CSA 30’s negative cash balance is expected to be charged interest by the County Auditor-Controller/Treasurer-Tax Collector at the County then-current pooled funds rate. The County pooled fund rate for the quarter ending December 31, 2022 was 2.027%, which was used to calculate estimated interest for the purpose of the proposed increased water service fees.

Therefore, the proposed base fee component's recovery of uncollected charges incorporates the amount of \$149.89 per month to cover payment of negative cash balances (and interest thereon) and held charges over multiple years.

Going forward, CSA 30 revenues need to be increased to not only meet expenses, but also to build minimum cash reserves within the five fiscal years. The proposed increases in water service fees assume that CSA 30 customers timely and fully pay their CSA 30 water bills.

The proposed base fee's component also incorporates an amount in order to build a minimum reserve in the amount of \$193,000 (total amount based on 5 years of \$38,600/year), which is intended to cover a certain amount of unanticipated expenses, as required by County Board policies.

Assuming the water service fees are increased as proposed, the CSA 30 community water system's operating costs are anticipated to change over the course of the five years since the water source will transition from surface water to groundwater.

Increased water service fees will initially be established for the first two years (a presently estimated period) on account of the expected continued operation of the SWTP, and then for the subsequent three years (a presently estimated period) on account of the expected operation of a groundwater well.

The commodity charge component (for surface water) charged for water usage will not be part of the groundwater rates once the groundwater wells are in service. The County will need to continue charging rates that will recover the higher operating cost (on account of surface water) of the SWTP if the new groundwater wells are not in service on schedule.

The timeline to transition the water source from surface water to groundwater is a present estimate based on the presently anticipated time to complete construction (i.e., July 1, 2025) and is subject to both the actual completion of the construction as well as receiving approval from the State Water Board to place the new groundwater wells into service. Increased water service fees relating to groundwater well operation will not go into effect until approval is received from the State Water Board to place new groundwater wells into service.

If such completion is earlier or later than such assumed completion date, then regardless of such assumed completion date, the following shall apply, as applicable, under the recommended Resolution, discussed below:

- If such completion is earlier than such assumed completion date, then the increased water service fees for groundwater (assumed to be effective July 1, 2025), shall instead be effective upon such earlier actual completion and ability for CSA 30 to deliver groundwater, and shall increase.
- But if such completion is later than such assumed completion date, then the increased water service fees for surface water shall continue, and then the increased water service fees for groundwater shall be effective in the applicable year, upon such actual completion, and ability for CSA 30 to deliver groundwater.

4. Increased Water Service Fees - calculations and amounts

A. The Base Fee Component

The proposed increases in water service fees will increase the monthly fixed base fee component for all water users, which covers the cost to operate and maintain the CSA 30 community water system. The base fee portion of the water services fees would cover the cost to operate and maintain the CSA 30

community water system regardless of the amount of water used by each customer assuming that CSA 30 customers timely and fully pay their CSA 30 water bills.

The base fee component was developed by analyzing the average CSA 30 community water system O&M and administration costs over a four-year term from 2017-2020. The proposed initial, increased base fee component in the amount of \$287.58 includes the cost of O&M, recovery of uncollected charges to cover the negative cash balance (and interest thereon) and a certain amount of unanticipated expenses, as required by County Board policies.

The following is a summary of the proposed base fee component of the increases in water services fees for CSA 30:

- The proposal is to increase the base fee portion of the water service fees initially from \$104.21 per month (current customer rate) to \$287.58 per month initially for surface water provided by CSA 30 to its customers, beginning July 1, 2023.
 - For dollar amounts relating to the current customer rate and increased customer rate during the initial year, see Table 1 in the attached 45-Day Notice.
- This per-month base fee portion of the water service fees will further increase each July 1st, and will increase up to \$311.10 per month, with this last increase to begin July 1, 2027, while surface water is being provided by CSA 30 to its customers.
 - For dollar amounts relating to the current customer rate and to increased customer rates for each following year, see Table 1 in the attached 45-Day Notice.
- This per-month base fee portion of the increased water service fees will change once CSA 30 community water system's water source transitions from surface water to groundwater.
 - For changed dollar amounts relating to the current customer rate and to increased customer rates for each applicable year, see Table 3 in the attached 45-Day Notice. Upon the transition from surface water to groundwater, the Annual Escalations applicable in that fiscal year, only, is a decrease by 15.52%.
- After the initial increase in water service fees on July 1, 2023, the annual increases in water services fees will begin each following July 1st for a total five-year period.

B. The Variable Fee Component

The proposed increase will also adjust the variable fee component. The variable fee component is composed of two parts, both of which are based on water consumptions by users of the CSA 30 community water system.

The following is a summary of the proposed variable fee component of the increases in water services fees for CSA 30:

The second portion of this proposal to increases in water service fees is the monthly variable fee portion of the water service fees. The variable fee portion is composed of two parts, both of which are based on water consumptions by users of the CSA 30 community water system.

The first part of the variable fee portion would be charged for:

- Variable operation costs of the CSA community water system.

- These costs are directly related to water usage, such as electricity, chemicals, and repairs.
- The proposal in this notice is to initially establish the variable fee portion (for variable operation costs) of the water service fees at \$3.99 per thousand gallons of surface water consumed initially for surface water provided by CSA 30 to its customers, beginning July 1, 2023.
 - For dollar amount relating to the initially established customer rate during the initial year, see Table 2 in the in the attached 45-Day Notice.
- This per thousand gallons variable fee portion (for variable operation costs) of the water service fee will further increase on July 1st of every following year and will increase up to \$4.31 per thousand gallons of surface water consumed, with this last increase to begin July 1, 2027, while surface water is being provided by CSA 30 to its customers.
 - For dollar amounts relating to increased customer rates for each applicable year, see Tables 2 and 4 in the attached 45-Day Notice.
- This per thousand gallons variable fee portion (for variable operation costs) of the increased water service fees will change once CSA 30 community water system's water source transitions from surface water to groundwater.
 - For changed dollar amounts relating to current customer rate and increased customer rates for each applicable year, see Table 4 in the attached 45-Day Notice.

The second part of the variable fee portion would be charged for:

- Variable surface water consumption costs for actual water usage.
 - The proposed increases in this part of the variable fee portion relate to a commodity charge for actual water usage of treated surface water provided by the CSA 30 community water system (including automatic adjustments for changes related to a commodity charge, explained below).
 - The proposal in this notice is to adjust the variable fee portion (for variable surface water consumption costs) of the water service fees by using the actual cost per 1,000 gallons of treated surface water, including automatic adjustments, at any time, for changed costs.
 - Cost of treated surface water: The cost of surface water is based on a commodity charge that is charged by the surface water supplier, Westlands, which provides untreated surface water to the County for CSA 30. That cost is calculated by using the actual cost per 1,000 gallons of treated surface water purchased by the County for CSA 30. Due to the nature of the water treatment process, for every 1 gallon of treated surface water delivered to CSA 30 customers, 1.1 gallons of surface water must be purchased by the County from Westlands to provide sufficient water for the treatment process. The current cost to the County, as of March 1, 2023, to supply treated surface water to CSA 30 customers is \$1.10 per 1,000 gallons. The current charge by the County to CSA 30 customers for treated surface water provided to them is \$2.48 per 1,000 gallons, based on the most recently-established water service fees schedule for CSA 30. The difference in collections from CSA 30 customers between the amount of such current cost to the County to supply treated surface water to CSA 30 customers and the amount of such current charge by the County to CSA 30 customers for treated surface water has been fully applied by the County to CSA 30's accounts for operation and maintenance costs for the CSA 30 community water system.

- The initial proposed adjusted cost of treated surface water in this notice, as of the date of this notice, is \$1.10 per 1,000 gallons.
 - ➔ Automatic adjustments at any time for cost changes: If the proposed increases in water service fees in this notice are adopted, and if, at any time, Westlands establishes and implements any changes in the cost of surface water that Westlands provides to the County for CSA 30, the County shall automatically adjust the cost of such surface water, as treated, provided to property owners (including their tenants) receiving water service from CSA 30, and pass through any such cost changes to such property owners (including such tenants), upon at least 30 days' advance notice by County staff to such property owners (including each tenant listed on the County's CSA 30 bill register).

These automatic adjustments and pass-throughs of changes in surface water costs by the County to property owners (including their tenants) receiving water service from CSA 30:

- (1) Are authorized under, and shall be made pursuant to Government Code section 53756, subdivisions (c) and (d); and
 - (2) May occur at any time between July 1, 2023, which is the beginning of the initial increased water service fees under the proposal in this notice, and June 30, 2028, which is the last date of the five year period.
- The increases in water services fees will begin each July 1; the first year for these increased fees will begin July 1, 2023.
 - For initial dollar amount of customer rates, and discussion Notes for automatic adjustments, which may be at any time, to customer rates relating to each applicable year, see Tables 2 and 4 in the attached 45-Day Notice.

C. Considerations on sustainability.

The considerations while developing the proposed water service fee structure is that the water system cannot continue to operate with the current water service fees that are being collected.

The current monthly water base fee component is \$104.21 per month and the commodity charge for water usage is currently \$2.48 per thousand gallons of treated water.

The proposed increases in water service fees would increase the monthly base fee component to \$287.58 in the first year which includes fixed operating costs and recovery of uncollected charges. (As discussed above, the commodity charge for water usage is proposed to be adjusted to initially \$1.10 per thousand gallons of treated water).

The proposed increased base fee component was developed by analyzing the actual costs to provide water service to CSA 30 customers from 2017-2020. Included in the proposed increases in water service fees are emergency reserve funds.

5. Key Events leading up to today's Protest Hearing.

On February 28, 2023, the County Board held a public protest hearing to consider all written protests against proposed increases in water service fees. The Board found that there was a majority protest, and

proceedings were abandoned. Due to the majority protest, proposed increases in water service fees were not implemented and CSA 30's negative cash balance has continued to accumulate. Provost & Pritchard (P&P) Consulting Group staff revised the CSA 30 Rate Analysis to account for growing negative cash balance and calculated new appropriate rates.

The County Board's prior protest hearing on February 28, 2023 does not relate to the proposed increased rates in today's Protest Hearing. Although the proposed increased water service rates for today's Protest Hearing are for the same water services, the proposed increased water service rates for today's Protest Hearing are different than the rates considered for the prior protest hearing on February 28, 2023.

On May 5, 2023, as required by California Constitution Article XIID, Section 6 (Proposition 218), notification for today's Protest Hearing was mailed to recorded owners and tenants listed on the CSA 30 bill registers subject to the proposed increases in water service fee.

As required by Proposition 218, the notice needed to be sent at least 45 days before today's protest hearing, and so, it is called a 45-Day Notice.

The 45-Day Notice explains the procedure for property owners (and their tenants) to timely submit a protest to the proposed increases in water service fees, and explains how the increases in water service fee will allow CSA 30 to build a minimum cash reserve required by the Board and to recover uncollected charges (including interest thereon) for water service fees that have been held (total of \$477,790.92), and \$193,000 (total amount based on 5 years of \$38,600/year) for a certain amount of unanticipated expenses caused by the operation of the CSA 30 community water system. The 45-Day Notice also explains that if less than a majority of property owners (including relevant tenants) timely submit a valid written protest to the proposed increased water service fees, the Board may increase the fee effective July 1, 2023.

Notification, including the proposed increases in water service fees, is attached to this agenda item as Attachment B (the 45-Day Notice for Protest Hearing on Water Service Fee Increase for County Service Area 30 - El Porvenir).

On May 3, 2023, Department staff met with CSA 30 property owners and residents at the Three Rocks Park to explain the proposed increases to the water service fees and to provide members of the public an opportunity to give relevant testimony, ask questions, and give comments about the proposed increases to the water service fees set forth in the 45-Day Notice mailed on May 5, 2023.

The proposed increases in water service fees for both water service scenarios (i.e., remaining at surface water as the source of water, and transitioning from surface water to groundwater as the source of water) have been presented to the CSA 30 community.

On June 13, 2023, Department staff once again met with the CSA 30 property owners and residents at the Three Rocks Park to explain the proposed adjustments to the water service fees and to provide members of the public an opportunity to give relevant testimony, ask questions, and give comments about the proposed adjustments to the water service fees set forth in the Notice. The original time of the meeting was changed from 3 p.m. to 5 p.m. due to community requests. A subsequent Notice was mailed indicating the time change for the June 13, 2023 community meeting.

6. The Result of Majority Protest.

There are a total of 56 parcels receiving water services from CSA 30, including 2 out-of-district users. If the Board finds that at least 29 timely, valid written protests are received by the Clerk of the Board of Supervisors (i.e., a majority of property owners including tenants who are directly responsible for paying for water service), then there will be a majority protest and the proposed increases in water service fee may not be approved by the Board.

If the Board finds that there is a majority protest, staff will communicate with the CSA 30 community about the need for immediate cost saving steps, including but not limited to water conservation plans.

7. The Result of No Majority Protest; adoption of Recommended Resolution.

If the Board finds that there is no majority protest, the Department recommends that the Board adopt the recommended Resolution, which would implement the proposed increases in the water services fees for CSA 30 for beginning July 1, 2023. If approved, the increases in water service fees will become effective as follows: (1) starting July 1, 2023 for the surface water provided to CSA 30 customers; and (2) upon the transition of CSA 30 community water system from the current surface water source to a groundwater source.

In addition, assuming such adoption of the recommended Resolution, the Resolution provides, consistent with the 45-Day Notice, as stated above, that if the proposed increases in water service fees are adopted, and if, at any time, Westlands establishes and implements any changes in the cost of surface water that Westlands provides to CSA 30, the County shall automatically adjust the cost of such surface water, as treated, to property owners (including their tenants) receiving water service from CSA 30, and pass through any such cost changes to such property owners (including such tenants), upon at least 30 days' advance notice by County staff to such property owners (including their tenants who are listed on the County's CSA 30 bill register).

(For purposes of the proposed increased water service fees in this item, all references to "year" mean the period starting July 1st of a given year and ending on June 30 of the following year).

The recommended Resolution also provides that the increased water service fees for CSA 30 starting July 1, 2025, July 1, 2026, and July 1, 2027 are dependent on whether and when CSA 30 is able to transition to groundwater usage, and that tables contained in such Resolution set forth the increased water services fees for CSA 30 in the event that a transition to groundwater is made starting July 1, 2025, as well as the increased water service fees for surface water usage during from July 1, 2023 through June 30, 2028.

The recommended Resolution also authorizes and directs the Director of Public Works and Planning or his designees to:

(a) To carry out all of the increases in the water services fees as set forth in the recommended Resolution and the 45-Day Notice;

(b) To promptly take any and all actions necessary for the County to automatically adjust the cost of such surface water, as treated, provided to property owners (including their tenants) receiving water service from CSA 30, and pass through any such cost changes to such property owners (including such tenants); and

(c) To promptly give notice of all such costs changes to the Auditor-Controller/Treasurer-Tax Collector for purposes of the publication requirement in the recommended Resolution, and to each member of the Board and the County Administrative Officer (CAO), which notices to the members of the Board and the CAO may be by way of a board briefing report, memorandum, or other informal communication.

In the event of such actual completion and ability to deliver groundwater, as determined by the Director of Public Works and Planning or his designees, the recommended Resolution provides that the increased water services fees for groundwater provided to CSA 30 shall be collected from CSA water users without the necessity of any further action of the Board.

Also, in the event that there are any third-party (e.g., other agency) sources of funds that may be obtained by the County to reduce property owners' (including their tenants') payments of the increased water services fees, the recommended Resolution provides that the Director shall promptly seek, and thereby obtain, the authority of the Board to apply such amounts, as they may be used, to reduce the increased water service fees, and upon receiving such authority of the Board, the Director shall promptly thereafter so apply such amounts and inform the CSA 30 water users (in writing in such form the Director so determines) of such amounts so applied or to be applied; however, the recommended Resolution states that nothing in the Resolution shall mean or be interpreted to mean that the Board's adoption of the Resolution is conditioned or premised on the receipt or expectation of receipt any third-party (e.g., other agency) sources of funds that may be obtained by the County to reduce property owners' (including their tenants') payments of the increased water services fees that may be imposed under the Resolution.

The water service fees, as increased, will be collected following the issuance of bills for the July 2023 billing period. The rate will increase again on each following July 1st.

8. Seeking State grant funding; no assurance for possible State grant funding.

The State Water Board has developed a pilot program to provide grant assistance from the Safe and Affordable Drinking Water Fund to severely disadvantaged communities to offset water system O&M costs for the purpose of maintaining affordable water rates. The County has applied for grant funding from the State Water Board to subsidize water rates for CSA 30.

If funding is awarded, grant funds will be provided to the County to subsidize water bills in CSA 30 over a five-year period. Grant proceeds would pay for all or part of the operating portion of the base fee as well as the first 5,000 gallons of water sold to each customer.

However, the County has **not** received any commitment from the State Water Board for such grant funding.

The recommended actions, including the proposed increases in water service fees do **not** include any reduction, offset, or adjustment for any possible funding that the County is attempting to obtain from other agencies, such as possible State grant funding, or any County relief.

The County has informed CSA 30 customers in the 45-Day Notice of the following:

No Assurance for any State Grant Funding or for any County Relief

The proposal in this notice to **increases** in water service fees does **NOT** include any reduction, offset, or adjustment for:

- (1) any possible funding that the County may attempt to seek or attempt to obtain from other agencies, such as any possible State grant funding; or
- (2) any County relief, including but not limited to any reduction, forgiveness, elimination, or further deferral of collection of CSA 30's negative cash balance of water services fees that have been held by the County (and interest thereon due to non-collection), and not yet charged to CSA 30, for multiple years (See "**The Base Fee Portion of the Water Service Fees,**" above).

The County has applied for grant funding from the State Water Board [defined above]-Safe and Affordable Drinking Water Fund to subsidize water rates for CSA 30. The County is seeking such grant funds to subsidize water bills from CSA 30 up to a five-year period, so that such grant proceeds, if obtained, could pay for all or part of the operating portion of the base fee up to the first 5,000 gallons of water sold to each customer.

However, the County cannot give any assurance that such State grant funding, or any part of it, will be awarded by the State Water Board [defined above] (or if such funding is awarded by the State Water Board, the County cannot give any assurance as to when such State grant funding might be awarded or for how much or for how long such funding might be provided).

Property owners (including their tenants) receiving water service from CSA 30 should not make any decision concerning the proposed increases in water service fees in this notice based on any possibility of any future State Water Board grant funding for CSA 30 or on any County relief from the payment of such fees.

9. Status on the Department's efforts to assist CSA 30 customers obtaining credits from the Low Income Household Water Assistance Program.

The County submitted an enrollment application for the federal Low Income Household Water Assistance program, which provides financial assistance to low-income households to help them pay down their past due water and wastewater bills. As of November 17, 2022, eligible CSA 30 customers can apply to request assistance in paying down their water and wastewater bills.

10. Possible future Department actions, assuming that the proposed increases are implemented.

Assuming the proposed increases are implemented, two potential future actions may occur for CSA 30.

The first action would be returning to the Board with a proposed funding agreement, should funding be awarded from the State through the Safe and Affordable Drinking Water Fund.

Subsequent action would be needed in order to authorize a loan to CSA 30 from the County Service Area Revolving Fund. This loan amount requested would be dependent upon the funding agreement for the Safe and Affordable Drinking Water Fund.

If the proposed increases in water service fees are implemented, then, the Department will return to the Board at a later date to request a temporary loan in an amount to be determined upon receiving further information from the State about potential grant funding, as detailed by the CSA Revolving Fund program established by the Board through Resolution 17-121. The County cannot give CSA 30 customers any assurance of any County loan.

Also, if the proposed fee increases are implemented, then toward the end of the five-year period, the Department would review CSA 30's finances, taking into account O&M costs of the CSA 30 community water system and assist the County's engineer in proposing appropriate new rates. Specifically, the Department, based on Board direction, sought in the relevant portion of the recommended action, above, would assist the County's engineer in preparing appropriate proposed new water service fees for the next rate-setting period for CSA 30 water service fees.

REFERENCE MATERIAL:

BAI # 10, February 28, 2023

BAI # 8, August 9, 2016

ATTACHMENTS INCLUDED AND/OR ON FILE:

Exhibit A - Site Map

Attachment A - Proposed Increases in Water Service Fees For CSA 30

Attachment B - 45-Day Notice for CSA 30 - El Porvenir

On file with Clerk - Resolution

On file with Clerk - County Service Area 30 El Porvenir Water Rate Analysis

CAO ANALYST:

Salvador Espino