

San Simeon Community Services District



111 Pico Avenue, San Simeon, California 93452
(805) 927-4778 Fax (805) 927-0399

June 17, 2009

Dear Customer,

The San Simeon Community Services District (SSCSD) is respectfully requesting a rate increase for water and sewer service. This rate increase will be recommended to the Board at the date, time and location specified in the Notice of Public Hearing, included with this letter (the hearing is open to the public). The District has always placed a strong focus toward strengthening the community's infrastructure. We want the water and wastewater facilities to remain in operation and to continue providing these utility services in compliance with all state and federal regulations. Therefore, the District proposes an incremental customer rate increase (stretched over 6 years) to help fund needed repairs (see table on page 3).

Why is the rate increase necessary?

On May 13, 2009, the Budget Committee presented a draft of the 2009-2010 fiscal year budget, along with a 5-year financial projection based on the current water and sewer customer rates. The money generated by customers' payments is used to operate, maintain and repair the utility infrastructure that serves our community (wells, pipes, tanks, treatment plant, collection and distribution systems, etc.) The financial projection revealed a net loss to this income.

This is bad news for San Simeon, because insufficient financial reserves can make it difficult to maintain our water and sewer systems in good working condition. Unreliable utility systems can translate into declining property values and hence negatively affect everyone living in our community. Moreover, failing to maintain a utility system today could lead to expensive fines and legal fees later on.

Our community is served by two old water wells. Upon inspection of these wells, our engineer and geologist determined it is too risky to inspect the well casing for fear that the casing might collapse during the inspection process. These two wells must therefore be replaced. The SSCSD has been actively seeking funding (other than customer rate increase) for this rehabilitation project. To secure the needed funds from a bank, the District must demonstrate to lenders that it has the ability to repay the loan. This effort has been unsuccessful: the District has been turned down by I-Bank and informed by another bank that in order to receive a loan, customer rates would need to increase by as much as 60% in a single year.

Why is the utility infrastructure fund low on money compared to previous years?

- 1. Due to water conservation efforts, the District sold less water, hence reducing the funds available for operations and system repairs.** As we're all aware, the recent lack of rain and the annual threat of salt water intrusion have led to local water conservation efforts that have successfully reduced how much water we all use (and hence buy from the District). The downside is that the decreased water sales have reduced the revenue generated by the SSCSD: it is this revenue that pays for the cost of everyday operations and needed repairs.
- 2. Revenues generated by treating the wastewater from the Hearst Castle have been reduced by nearly 50%.** The State Parks Department finally replaced their failing wastewater transmission line located between San Simeon Acres and San Simeon, and as a result, they are sending us far less wastewater to treat, thereby reducing this additional source of revenue.

How much will my water and sewer bills increase?

The proposed Ordinance would increase the monthly metered rates for water and sewer service **incrementally** for **six fiscal years: 2009 through 2015**. (*A fiscal year is from July to June.*) At the beginning of each fiscal year (July 1), each of the previous year's rates will be increased by the current applicable CPI (Consumer Price Index as published by the U.S. Department of Labor, Bureau of Labor Statistics for the Los Angeles, Riverside, and Orange Counties) plus an individual factor for each rate. Thus, water rate and service fee would both increase CPI + 10% and sewer rate would increase CPI + 15%.

The table below compares the current rate with the proposed rate and calculates the monthly impact to a typical residential customer, based on 1 unit of usage (1 unit = 100 cubic feet = 748 gallons).

Table 1: Proposed Billing Rate for 2009-2010

* Amount of increased projection is based on an estimated 3.50% CPI for each year.

<i>Table is based on 1 unit of usage</i>	Current 2008-2009 Rate (\$)	CPI Increase * %	Proposed Rate Increase %	Proposed Billing Rate for 2009-2010
Water	\$5.25	3.50%	10%	\$5.96 (71 cent increase)
Sewer	\$3.17	3.50%	15%	\$3.76 (59 cent increase)
Service Fee	\$14.70	3.50%	10%	\$16.68 (\$1.98 increase)
Total Bill	\$23.12	→		26.40 (\$3.28 increase)

Table 2: Proposed Increases for Each of the 6 Years

Amount of increased projection is based on an estimated 3.50% CPI for each year.

<i>Table is based on 1 unit of usage</i>	2009-2010 Increase	2010-2011 Increase	2011-2012 Increase	2012-2013 Increase	2013-2014 Increase	2014-2015 Increase
Water	Last year's rate + \$0.71	Last year's rate + \$0.80	Last year's rate + \$0.91	Last year's rate + \$1.04	Last year's rate + \$1.18	Last year's rate + \$1.34
Sewer	Last year's rate + \$0.59	Last year's rate + \$0.70	Last year's rate + \$0.83	Last year's rate + \$0.98	Last year's rate + \$1.16	Last year's rate + \$1.37
Service Fee	Last year's rate + \$1.98	Last year's rate + \$2.25	Last year's rate + \$2.56	Last year's rate + \$2.90	Last year's rate + \$3.29	Last year's rate + \$3.74
Total Bill Increase (compared to previous year)	\$3.28	\$3.75	\$4.30	\$4.92	\$5.63	\$6.45

Background information

The above rate plan was recommended to the SSCSD by the Board of Directors' Budget Committee. The committee's final report on the state of the district's finances was delivered on June 10, 2009. The SSCSD adopted the committee's recommendation on the same day and directed the district's staff to proceed with the Proposition 218 public notification process.

How can I reduce my water bill?

You can manage your water consumption and monthly bill. Water is a finite resource. Let's make it our choice to pay attention to our daily habits—how we use water and how we might be wasting it. Do your part to conserve our precious supplies by small, thoughtful changes in your daily activities and habits. Small changes, if done on a large scale, add up to a big change. Every drop counts and every person can make a difference and play a large role in ensuring the continued availability of our water supply. Water conservation should not be for emergencies. It should be a way of life. Conserving water today saves you money on your water and sewer bills, reduces the cost of building new water and wastewater infrastructure, and leaves more water in rivers and lakes for you to enjoy. Contact the District for water conservation tips.

Charles Grace, General Manager

San Simeon Community Services District