



# PROPOSITION 218 NOTICE

October 26, 2011

### To CWD Customers or Owners of Affected Properties

This is a notice of proposed new water rates that the Board of Directors will consider during a public hearing as listed on the back of this mailer.

The District has reviewed the current water usage and rate structure and determined that there is a significant revenue shortfall. The District's reserves have been depleted and we do not anticipate receiving enough revenue to cover operating expenses while continuing to meet the legally required debt service obligations for FY 2011-12.

The District has seen a large reduction in water usage which can be attributed to several factors: weather (a wet winter in 2010 and a mild summer in 2011); installation of water meters to meet the State of California requirement; and the economy. In addition, there have been a higher number of customers going to voluntary meter billing sooner than had been planned.

From 1940-2009 the historical water production average for the District has been 12,500 acre feet. During the District rate study, rates were analyzed and assumptions took in to account anticipated fluctuations and the new requirement of the State of California's 2009 Water Conservation Act calling for the reduction of water production by 20% by the year 2020. For Fiscal year 2011-2012 the District rate study planned for water production to drop to 10,400 acre feet. The past 12 months actual water production figures are at 9,345 acre feet, which is 25%, lower than historical average and 5% lower than the State of California's 2009 Water Conservation Act.

Over the past two years, the District has been using reserve funds to cover the revenue shortfall from the lower water usage. Most metered customers have been experiencing lower water bills than the district had planned.

### Budget Reduction - How has the District cut costs?

Over the past two years, CWD acted to reduce expenses significantly based on projected shortfalls. The cuts are:

- Refinanced \$28,550,000 in bonds in March 2010, resulting in substantially lower interest rates and interest payments while maintaining the same maturity schedule.
- Restructured the departments to maximize efficiency, resulting in elimination of 1 position and layoff of 1 employee.
- Reduced operating costs in March 2011, while preparing the FY 2011-12 adopted budget.
- Deferred capital improvement projects and extended the completion schedule of the meter installation program eliminating 3 positions.
- Revised the FY 2011-12 budget with an additional \$475,929 in budget cuts.
- Applied for and received grants worth \$ 1,000,000 to help finance a water reliability project (water treatment plant expansion) and to accelerate the meter program.
- Total FY 2011-12 budget reductions \$972,245.

Even with severe budget cuts, an increase in the revenue is necessary in order to recover sufficient revenues to operate and maintain the District's water system. The proposed revenue increase for water service fees will provide revenues that (1) recover costs reasonably borne in the providing of services; (2) are equitable to customer classes; and (3) are proportionate to the cost of the service attributable to the parcels within each customer class.

Typical of all water utilities, 80% of CWD's costs to provide water service to our customers are fixed costs with only power, chemicals, and a portion of labor costs being variable. In order to meet the FY 2011-12 operation and maintenance, debt service, infrastructure replacement requirements and to replenish reserve accounts of the District, the revenue adjustment will be placed on the service charge portion of the bill. In order to meet the further reduction in water use, the consumption component will be adjusted from \$1.09 to \$1.13 per CCF (100 cubic feet or 748 gallons).

### Revenue Requirement

The proposed water rate schedule includes an 18% increase in required revenue. This revenue requirement would affect each individual classification differently. Some customers will experience an increase of more than 18% or less than 18% due to the increased revenue requirement.

	January 1, 2012	FY 2012-13	FY 2013-14
<b>Classification</b>	<b>New Rate</b>	<b>0%</b>	<b>3.70%</b>
Condo	30.88	30.88	32.02
Multi-family (per unit)	51.05	51.05	52.94
Residential	62.32	62.32	64.63
Commercial	130.50	130.50	135.33
Irrigation	160.58	160.58	166.52
Apartment	292.26	292.26	303.07
Schools (= or > 4")	894.46	894.46	927.56
Parks (= or > 4")	1,097.20	1,097.20	1,137.80
CCF (100 cubic feet or 748 gallons)	1.13	1.13	1.17

Metered Rate Adjustment due to size	January 1, 2012	FY 2012-13	FY 2013-14
0.75	(2.28)	(2.28)	(2.45)
1	0.00	0.00	0.00
1.5	8.68	8.68	9.32
2	17.47	17.47	18.76
3	32.63	32.63	35.04
4	48.55	48.55	52.13
6	68.44	68.44	73.49
8	124.11	124.11	133.27

Transitional Flat rate	FY 2011-12	FY 2012-13 ( 3.5% increase)	FY 2013-14 ( 3.7% increase)
SF11	115.49	119.53	124.02
SF52	206.99	214.23	222.26

If adopted, the rates go into effect January 1, 2012.

**Example of rate effective January 1, 2012:** Residential 1.5" connection equals (62.32 + 8.68 = \$71.00 bimonthly service charge plus the commodity rate of \$1.13 per CCF)



# CARMICHAEL WATER DISTRICT

7837 Fair Oaks Boulevard  
Carmichael, CA 95608  
(916) 483-2452

## Board of Directors

John Wallace  
President, Division 3

Ron Greenwood  
Vice President, Division 4

Paul Selsky  
Division 5

Mark Emmerson  
Division 2

Roy Leidy  
Division 1

## General Manager

Steve Nugent

## Notice of Proposed Revenue Increase

### Submit a Written Protest

Under Proposition 218, if you are the owner of record of the parcel subject to the proposed rate, you may file a written protest before the public hearing. ***If you oppose the proposed rate increase, your protest must be submitted in writing to be considered, even if you plan to attend the public hearing.*** If written protests are submitted by a majority of the affected parcel owners, the proposed rate changes cannot be imposed. Your written Protest must be received prior to the December 12, 2011 public hearing. Protests must contain a description of the property, such as the parcel number or service address. *Please indicate that it is the water service rate change that you are protesting. Send your written protest to:*

**Assessor – Collector, Carmichael Water District**

**7837 Fair Oaks Blvd., Carmichael, CA 95608**

If you have any questions regarding the protest process, please call the District office at (916) 483-2452.

### Public Hearing

The Board of Directors will hold a public hearing on the proposed rate increases detailed in this newsletter. If you would like to voice your opinion on the FY 2011-2012 thru FY 2013-2014 recommended rate increases, please attend the hearing on:

Date: December 12, 2011

Time: 7:00 p.m.

Location: District Office, 7837 Fair Oaks Blvd.

Carmichael, CA 95608