

Background/History

Q: Why have there been so many years of deferred maintenance?

A: Maintenance was deferred because revenues were inadequate to fund both operations and capital repairs. Maintenance projects would have been funded using the Water Fund reserves, which when depleted could not be replaced.

Q: If 50% + 1 are against the rate increase, what is the fallback plan?

A: There is no “fallback” plan.

Q: Can you give something more than a flat “no” for the fallback plan?

A: Having a “fallback” plan expends our energies on planning for failure rather than success. If failure occurs, we will assess our situation and determine our next course of action. A natural course could be a status quo path that drains the reserve fund and continues to defer needed maintenance and repairs.

Q: How has the CSD determined that BVS has one of the highest per-capita incomes in Kern County?

A: The link below indicates that Bear Valley Springs has the #2 highest per-capita income in Kern County.

<http://www.healthykern.org/indicators/index/view?indicatorId=15&localeTypeId=39&periodId=459>

Q: How was the most recent loan used?

A: The CSD borrowed to construct a water tank, replace boosters and make additional improvements to the water system.

Q: If 28 projects were budgeted and only 4 completed, where are the monies that were allocated but not spent?

A: The funds are still in the water account. If the projects had been completed, it would have depleted the fund balance, and left the fund without any emergency reserve.

Q: What happens to the community if we continue as we are? Does it dry up, property values decline, and homes become impossible to sell? Service cutbacks?

A: If we continue as we are, the water system will continue to have failures and we will not have the financial ability to repair and replace important pieces of the system.

Funding/Finance

Q: Who are our creditors?

A: Our main creditor for this situation is IBank, the California Infrastructure Economic Development Bank, that provided funding for our last water and wastewater loan.

Q: Is there a possibility of getting grants to repair the infrastructure?

A: While it is possible, it is not likely. Grant funds are predominantly given to benefit lower income communities. Bear Valley Springs has one of the highest per capita income in Kern County and does not qualify for most available grant opportunities. But we will continue to try.

Q: Is the debt service coverage ratio affecting our credit rating?

A: Not satisfying the debt service coverage ratio will affect our ability to borrow money in the future through a limited market and higher interest rates.

Q: How was the most recent loan used?

- A: The CSD borrowed to construct a water tank, replace boosters and make additional improvements to the water system.
- Q: What interest rate are we paying on the debt servicing?**
- A: The District is paying 2.93% interest. The loan obligation continues through Fiscal Year 2032/33.
- Q: Are the amenities charged for water use?**
- A: Yes, the Association pays the CSD for water it uses
- Q: Will an increase in water rates cause our HOA payments to increase?**
- A: The same increases will apply to irrigation, commercial or effluent water purchased by the BVSA. We cannot speak to the effect this increase will have on HOA fees. However, as a high-volume commercial user, their rates will likely go down substantially with the elimination of the upper tiers.
- Q: Are vacant lots also paying for water?**
- A: Vacant lots with a meter installed pay the monthly base rate. Vacant lots without a meter installed pay an annual \$40 stand-by charge.
- Q: Since electricity seems to be a major cost for the water system, is it possible to put small solar power systems at the wells/relevant points in the system?**
- A: The District has been exploring solar power for our water system and is expecting proposals for individual systems at several high usage locations.
- Q: Why does the study show a predicted 30% increase in operating costs?**
- A: The future projected budgets are based upon a realistic cost to appropriately staff and operate the utility. Prior year actual expenditures are less because the District has purposely avoided full staffing, infrastructure improvements and purchases due to lack of revenue.
- Q: What is causing the decrease of revenue?**
- A: The loss in revenue is mostly attributed to lower consumption by users.
- Q: If the capital rate study is not done, isn't this rate increase premature?**
- A: The Interim Rate Study was done even though the Capital Replacement Plan was not completed because operating revenues are not keeping pace with normal operating expenses and extraordinary emergency costs. The utility is currently operating at an unsustainable deficit.
- Q: Have we considered a bond issue?**
- A: Not currently. A bond issue is usually considered when large projects are undertaken. In our case, we have many smaller pieces that need attention, and can be funded on a "pay-as-you go" basis until our debt service coverage ratio has recovered enough that we can consider a bond for the large capital repairs.
- Q: Would stricter enforcement of due dates and payment of outstanding balances help address the issues?**
- A: It could help reduce staff time involved with delinquent bills, but in itself will not help the larger financial situation.

Police

- Q: Is it normal for a general fund to pay for the Police Department?**

A: Police departments are typically the single largest expense in a municipal budget and are always a General Fund expenditure. The General Fund pays for operations that don't generate their own income (*Police, Fire, Administration, Library, Human Resources, Planning & Zoning, Community Development, Information Technology, Parks & Recreation, Public Works, Economic Development, etc.*)

Q: Do we receive tax dollars for the police, and would we receive those if we outsourced the police?

A: If a contract for law enforcement were entered, then we may be able to use the Police Tax for those costs. If there were no District or contract law enforcement service, then no – we could not use those monies.

Q: Would it be cheaper to outsource our BVPD to Kern County?

A: The District requested and received a quote from KC Sheriff's Department in 2016. That quote came back \$200,000 higher than our own police budget for like-kind coverage.

Q: Did the numbers given to Willdan for this rate study include the portions of the general fund used for police and gate?

A: No. Willdan was given relevant information including costs and revenue data specific to the Water Department in order to determine a financial plan and rate structure that would make the Water Department financially stable and self-sufficient.

Q: Regarding re-directing money, would outsourcing the police department save enough money to offset the water rates?

A: First, the water system should be wholly supported by water rates. Secondly, if all the general fund contribution for police services were to be redirected to the water fund, it would still not be enough to adequately fund the needed operations and capital repairs needed over the next 5 years.

Conservation

Q: The [high volume water consumers] of San Juan Capistrano sued because their rates were not justified by costs. Isn't our situation reversed? If we are buying water in a quantifiable amount, how do highest volume users not cost the system more by requiring us to purchase more water? How did Willdan justify 2 tiers rather than more, which would encourage conservation?

A: The Capistrano case is what effectively said that we CAN'T have more than two tiers, because it says you have to be able to justify the additional costs for the tier, and we really only have the additional identifiable cost of Cummings valley water, and the electrical costs to pump it over the hill into BVS. It doesn't help promote conservation, but we had to eliminate the tiers that can't be shown to have higher costs.

Q: How will consumer conservation affect the CSD if people begin conserving more water to mitigate the rate hike?

A: Revenues will be reduced, but with the change in rates to emphasize base rates more than volume rates, the effect will not be as severe as prior years.

Q: Will rates go up again if people begin conserving more water and CSD incomes prove insufficient in the future and to fund future repairs?

A: Not necessarily. The CSD will do all it can to manage our operations to avoid increases.

Q: Do the new water rates encourage water wasting?

A: No, we don't believe they will encourage water wasting. However, the new rates will probably not be as effective of a conservation technique as the higher tiers of the current rates.

Q: How will [Assembly bill 1668 and Senate Bill 606] with a 55 gallon per person water usage target affect the rates?

A: As legislation goes into effect, we will evaluate our options. We cannot speculate at this time what will happen in the future.

Infrastructure

Q: What will the state of the infrastructure be in 5 years; will the system then be in good repair?

A: We currently have a backlog of deferred maintenance needs to our physical system consisting of tanks, pumps, booster pumps, wells, motors, etc. Once the new rates go into effect, there IS a priority-based plan to repair/replace those items. In five years, the system will be in much better repair than it is today.

Q: Can contaminated wells be cleaned to reduce the amount of water purchased from Cummings Valley?

A: We regularly test our disconnected wells to check if the constituents that caused the well disconnection have changed and if the well may be used again. Other wells in the system may be rehabilitated to produce more water and reduce our dependence on Cummings Valley water.

Q: Can we treat and use contaminated water from those wells?

A: The cost to treat contaminated water is very expensive, and not currently being explored.

Q: Do we need to drill new wells to increase the volume of water being produced in the valley?

A: New wells may help, but we will not know if we need them until we complete rehabilitation work on our existing wells.

Q: Do we need to dig our wells deeper to meet volume demand?

A: The District wants to complete a Hydrogeologic analysis of our watershed basin to determine if there is more water, and at what location. Without that, just drilling a deeper well does not mean success.

Q: Is our groundwater supply sustainable?

A: Generally it is, though there can be times when supplies might be limited due to extended drought conditions.

Q: What is the primary reason for the lack of production?

A: Several wells have had reduced production due to failing or inoperable equipment and clogging of the well casing screen.

Q: If the cost of getting water up hill is so expensive, then perhaps water should be more expensive the higher you live?

A: Water for all properties is initially pumped up hills to higher elevation tanks, so that pressure is created by gravity flow.

Rate Structure

Q: Can the District increase the number of usage tiers?

A: The proposed tier structure is based upon Proposition 218 and a recent court case that stipulates higher tiers must be based on proportionately higher costs. The rate study has concluded that only two tiers are justified.

Q: Is it possible to spread the cost of the rate increase over 3 years or 5 years instead of 2 big jumps in 2 years, and add more tiers?

A: It is possible to spread the costs, but we would not achieve our goal of financial sustainability. As stated above, we cannot add more tiers to the rate structure due to Proposition 218.

Q: When rates are finalized, will they be the rates shown in the presentation today?

A: The final rates are approved by the Board following a Public Hearing.

Q: How will residents be notified of the results and new rates?

A: The district will notify customers of new rates prior to use of water. Other Financial Questions

Low Income

Q: Will there be programs to help low income residents?

A: Staff will look at state statutes and potential legislation to determine if and how we could develop a program benefitting low income residents.

Q: Can we pro-rate the increase for low income?

A: The recommended rates are what is needed to ensure a financially sustainable water fund, and there cannot be other adjustments due to Proposition 218. Any pro-ration to low income residents must be offset by higher rates to the rest of the community. This is not allowed under Proposition 218.

Q: Is there a way to soften the blow to consumers who cannot afford the new rates?

A: The State of California legislature is currently working on a program to assist low income residents with their increasing water bills. The District will be watching closely to see if the program can be implemented locally.

Protest Process

Q: Is it safe for property owners who are in favor of the water rate increase to ignore their protest ballot and not return it to the CSD?

A: Someone who supports the adjustments does nothing. They DO NOT complete, sign or return the protest example in the mailer.

Q: If I have returned my protest to the CSD but now regret my decision to protest, am I entitled to withdraw my ballot before tabulation begins?

A: Anyone who has sent in a protest can withdraw that protest before tabulation begins

Q: Do I need to live on my BVS property to receive a protest mailer?

A: No, you will receive a ballot for each property you own, no matter where you live.

Q: I am hearing that the CSD prepares and mails the protest forms, and that they will also count the returned protests. Why isn't the Kern Elections Division handling all of this as they do with other elections?

A: The water rate increase is not a public election, but rather a “protest proceeding”. Proposition 218 is the initiative passed by California voters in 1996 that establishes the process by which public agencies can raise fees for services. Proposition 218 requires a public agency to follow the process below:

- Identify the parcels upon which a fee or charge is proposed for imposition
- Calculate the amount of the fee proposed to be imposed on each parcel
- Provide written notice by mail to the “record owner of each identified parcel”
- Conduct a public hearing on the proposed fee change not less than 45 days after the mailing
- Consider “all protests against the proposed fee or charge”
- If written protests against the fee are presented by a “majority of owners of the identified parcels” the fee cannot be imposed

The record owner of each identified parcel is obtained from the last equalized secured property tax assessment roll from Kern County. The BVCSD took the additional step of cross checking the tax roll against District billing records to capture subsequent changes of ownership. The notice is posted on the District website for those who feel they should have received a notice, but did not.

Q: I rent a house in BVS and live here full time. Will I receive a protest form?

A: No, the property owner is the one who will receive the mailer

Q: The public hearing on April 11th will be a hot topic. Can the meeting be held in a place large enough for everyone to attend?

A: We can enquire about different venues