



BEAR VALLEY COMMUNITY SERVICES DISTRICT

28999 South Lower Valley Road • Tehachapi, CA 93561-9637
PHONE 661-821-4428 • FAX 661-821-0180

February 22, 2019

Re: Notice of Proposed Water Rate Increases 2019 - 2023

Dear Property Owner and/or Customer:

The purpose of this Notice is to (i) inform you that the Bear Valley Community Services District (“District”) proposes to adjust its water rates during this calendar year beginning on May 1, 2019, and thereafter on January 1 in years 2020, 2021, 2022 and 2023; (ii) explain the reasons for the adjustments and the basis of the adjustments; (iii) provide information on the amount of proposed water rate adjustments; and (iv) describe how to file a protest if you desire to formally oppose the proposed rate adjustments.

NOTICE OF PUBLIC HEARING

The Board of Directors of the District will conduct a Public Hearing on April 11, 2019, at 6:00 p.m., in the Board Room of the District’s Offices at 28999 South Lower Valley Road, Tehachapi, CA 93561, or as soon thereafter as the matter may be heard, to consider adjusting the current rates for its water services over a five-year period.

REASONS AND BASIS FOR PROPOSED RATE ADJUSTMENTS

The District works each day with limited resources to ensure that residents and businesses receive safe and reliable water service, and the District’s water system is maintained to all required standards. The District has a very complex water system that includes over 110 miles of pipelines, 36 booster stations to serve 19 different pressure zones, 26 wells, and 43 storage tanks. Much of the infrastructure for the water system dates back to the development of Bear Valley Springs in the early 1970s and needs to be repaired or replaced. The District last increased its base water rates in 2008. The District’s Board of Directors retained an independent consultant, Willdan Financial Services (“Willdan”), to prepare a water rate study (“Water Rate Study”) to review the District’s existing water rate structure and to make recommendations as to a revised rate structure over the next five years.

Willdan has submitted a Water Rate Study dated February 2019, which recommends a revised water rate schedule for calendar years 2019 through 2023. The Water Rate Study found that if the existing water rates are not increased, the District’s water enterprise fund will deplete its cash reserves in Fiscal Year 2020. In other words, the current rates are insufficient to support existing operations and cannot even begin to support a long-term strategy to maintain and upgrade the water system under a capital improvement program.

Willdan designed a five-year schedule of rates to recover the water enterprise’s five-year forecast of operations, maintenance and capital expenditures for water service. In developing the five-year schedule and proposed rates, the District is complying with the California Constitution by establishing rates that recover only the actual costs associated with the level, quality, and quantity of services delivered to individual users of the water system. The methodology used to develop the proposed water rates is based on generally accepted rate-making principles established by the American Water Works Association (AWWA) in its “M1 Principles of Water Rates, Fees, and Charges” manual.

The Water Rate Study prepared by Willdan and other relevant information about the water system is available for review at the District’s office and on its website: www.bvcsd.com.

PROPOSED WATER RATES

The proposed water rates are designed to meet the following revenue requirements: (1) provide operating reserves equal to 120 days of operating and maintenance expenses; (2) meet debt service coverage requirements under existing loan agreements; (3) recover appropriately 60% of the revenues needed to operate the water system through the monthly base charge as a means to stabilize revenues against fluctuations in volumetric sales; (4) replace the current seven volumetric usage tiers with a two-tier rate structure that addresses the cost to pump and provide groundwater from within the District and the incremental cost of purchasing water from the Tehachapi Cummings County Water District in accordance with Proposition 218; and (5) provide funding for ongoing capital improvement requirements including the costs associated with deferred repairs and maintenance. The necessary rate adjustments are proposed to be implemented through increases spread over five years.

Here are the proposed rate adjustments, which, if approved, will be imposed starting on May 1, 2019, and then on January 1 in years 2020, 2021, 2022 and 2023 in the amounts stated, unless revised by the District:

Customer Class	Code	Current	2019	2020	2021	2022	2023
Monthly Base Charge							
Commercial	CO	\$25.33	\$43.06	\$73.20	\$76.86	\$80.71	\$84.74
Residential-Cummings	RC	\$25.33	\$43.06	\$73.20	\$76.86	\$80.71	\$84.74
Residential	RE	\$25.33	\$43.06	\$73.20	\$76.86	\$80.71	\$84.74
Residential Vacant	RV	\$25.33	\$43.06	\$73.20	\$76.86	\$80.71	\$84.74
Volumetric Charge							
Potable Water Rates							
<u>Volumetric Rates Per HCF</u>							
1 to 5 HCF		\$2.00	\$2.80	\$3.78	\$3.78	\$3.78	\$3.78
6 to 10 HCF		\$2.85	\$4.36	\$5.34	\$5.34	\$5.34	\$5.33
11 to 20 HCF		\$3.25	\$4.36	\$5.34	\$5.34	\$5.34	\$5.33
21 to 40 HCF		\$4.45	\$4.36	\$5.34	\$5.34	\$5.34	\$5.33
41 to 60 HCF		\$6.20	\$4.36	\$5.34	\$5.34	\$5.34	\$5.33
61 to 80 HCF		\$8.45	\$4.36	\$5.34	\$5.34	\$5.34	\$5.33
Over 80 HCF		\$10.50	\$4.36	\$5.34	\$5.34	\$5.34	\$5.33
Effluent		\$2.20	\$3.08	\$4.16	\$4.16	\$4.16	\$4.16
Irrigation		\$2.44	\$3.42	\$4.61	\$4.61	\$4.61	\$4.61

PUBLIC HEARING AND PROTESTS

Any property owner of record currently served by or who has immediate access to the District's water system (or any tenant directly responsible for the payment of water service rates and charges with the written, notarized consent of the record property owner) may submit a written protest to the proposed water rate adjustments; provided, however, only one protest will be counted per identified parcel. Any written protest must: (1) state that the identified property owner or tenant is in opposition to the proposed water rate adjustments; (2) provide the location of the identified parcel (by tract & lot and street address); and (3) include the name and signature of the property owner or tenant submitting the protest.

Written protests may be submitted by mail or in person to the Secretary of the Board at 28999 South Lower Valley Road, Tehachapi, California 93561, or at the Public Hearing on April 11, 2019, at 6:00 p.m., provided they are received prior to the close of the Public Hearing, which will occur when public testimony is concluded. Any protest submitted by e-mail or other electronic means will not be accepted. Please identify on the front of the envelope for any protest, whether mailed or submitted in person to the Secretary of the Board at the District's Office -- Attn: Public Hearing on Proposed Water Rate Adjustments.

The Board of Directors will hear and consider all written and oral protests to the proposed water rate adjustments at the Public Hearing. Oral comments at the Public Hearing will not qualify as formal protests unless accompanied by a written protest. Upon the close of the Public Hearing, the Board of Directors will consider adoption of a resolution authorizing the water rate adjustments to the District's water enterprise, as described in this Notice. If written protests are filed by a majority of property owners, the proposed water rate adjustments will not be imposed. If written protests against the proposed water rate adjustments are not presented by a majority of property owners, the District will be authorized to impose the water rate adjustments, as described in this Notice.

For further details regarding the basis and reasons for the proposed water rate adjustments or for any questions you may have regarding the proposed water rates to be imposed on your parcel, please review the District's website at www.bvcsd.com or contact Hamed Jones, Administrative Services Director, at 661-821-4428 or hjones@bvcsd.org.

In compliance with the Americans with Disabilities Act, if you need special assistance to participate in the Public Hearing, please contact the District Secretary to the Board of Directors, Kristy McEwen, at 661-821-4428. Notification 48 hours prior to the Public Hearing will enable the District to make reasonable accommodations to ensure accessibility to this meeting.

FORM OF WRITTEN PROTEST

The following is provided as an example of proper written protest to the proposed water rate adjustments. While this form is one that the District recognizes as proper, the District will accept other forms of written protest so long as they otherwise satisfy the elements set forth in this Notice.

[] Please check box verifying that you have read the attached Notice.

PROTEST

I _____, protest the Bear Valley Community Services District's proposed
(print property owner's or tenant's user's name)

water rate adjustments as set forth in the Notice of Public Hearing dated February 22, 2019.

Tract & Lot Number: _____

Street Address: _____

(signature)

PLEASE NOTE: If you wish this protest to be considered, it must be received by the District before close of the Public Hearing to be held at 6:00 p.m. on April 11, 2019, at the District's Office, 28999 S. Lower Valley Road, Tehachapi, California 93561.