



Volcano Community Services District
P.O. Box 72
Volcano, CA 95689
Nancy Bailey President, contact (209) 296-4899
VolcanoCSD@gmail.com

NOTICE OF PROPOSED RATE INCREASE

Date of Notice, May 10, 2023

Notice all Volcano Community Services District (VCSD) property owners and occupants

The VCSD is proposing a much-needed rate increase. The proposed increase will only affect the base rate and not the usage tiers. Below are the current and proposed changes.

The proposed rates will help the VCSD continue to provide reliable, high quality water service to District properties. They are needed to cover the cost of the water service. Over the past few years, the District has experienced significant increases in primarily fixed expenses due to state and other requirements.

The VCSD rate structure for water service fees has two components: 1) a fixed monthly service charge, the base rate; and 2) a variable water usage charge component, usage tier rates. The base rate is designed to cover the system fixed costs, which include, but are not limited to: billing, collections, meter reading, meter maintenance, insurance, labor, equipment, annual financial audits and state required reporting, capital infrastructure replacements costs, district engineer services, and lab testing. The usage tier rates cover the variable costs of water production, including chlorine, filters, power, etc.

The vast majority of cost increases are those relating to fixed costs, which is the purpose of the proposed change to the base rate in VCSD rate structure. In particular, the district has experienced an increase in repairs—including a major rebuild of the redwood water tank underway to put it back online—due to an aging infrastructure. The engineering requirements for regular and emergency services has increased in obligations, requiring a significant increase in costs. Many of the other fixed costs mentioned above have increased significantly.

Last summer, the Board adopted a budget that projected income and expenses for fiscal year (FY) 2022/2023, which runs from July 2022 through June 2023. We have posted in town a table that presents a comparison of this budget with 9 months of *actual* revenues and expenses, plus our May 4 adopted *draft budget* for FY2023/2024

assuming no further rate increases are adopted.¹ A copy of this draft budget is also posted on our website at www.VolcanoCSD.org and available upon request. This document clearly indicates that the **base rate levels in effect as of July 1 will not keep up with the system cost increases facing the District.**

During the past year, the Board has sought to reduce costs wherever feasible, especially in the area of services contracting, but the types of cost increases facing the District are largely beyond the direct control of the Board. That being said, the Board will continue to look for cost cutting/efficiency improvements going forward, and actively seek out possible sources of state or federal funds for future capital improvements to our aging infrastructure. But the reality is that there are only a total of 70 connections/customers in our District (including double meters) which means that the costs of providing reliable and safe water that complies with all the water quality/regulatory requirements is spread over a very small customer base.

Not including depreciation, **the VCSD is facing a projected net income loss of \$18,355 over the July 2023-June 2024 fiscal year, assuming no change in base rates beyond the step increase to \$62.70 that takes effect automatically on July 1.** The Board is therefore proposing additional increases to base rates that will serve to quickly dampen this negative cash flow, in light of the financial urgency.

The proposal is as follows: A 3-step increase to Base Rates of \$7 each (for single meters) and \$14 (for double meters to base rates) effective July 1, 2023, November 1, 2023 and February 1, 2024. We estimate that each \$7 increase to the base rates will produce an increase in revenues of approximately \$5,800. Accordingly, this proposal will serve to step-wise reduce, if not fully eliminate, the gap between revenues and expenses (before depreciation) that we project for FY2023/2024.

Current Rates as of July 1, 2023:

	Single Meter	Double Meter
Base Rate	\$62.70	\$125.40
Usage Rates (3 Tiers):		
0-10,000 gallons	\$2.35/k	0-20,000 gallons
10,001-15,000 gallons	\$2.75/k	20,001-30,000 gallons
15,000+ gallons	\$4.05/k	30,001+ gallons
	k- per 1,000 gallons	

¹ On August 5, 2021, after receiving public input, the Board adopted a \$2.50 step increase to current (\$60.20) base rates that will automatically take effect for the July 2023 billings, with no further Board action required. See also Resolution 2022-02 available at www.VolcanoCSD.org

Proposed Base Rate Increases:	July 1, 2023	November 1, 2023	February 1, 2024
Single	\$7.00	\$7.00	\$7.00
Double	\$14.00	\$14.00	\$14.00
New Base Rates:			
Single	\$69.70	\$76.70	\$83.70
Double	\$139.40	\$153.40	\$167.40

Note: The proposed increases will not change the tiered usage rates

Public Hearing: In Compliance with Proposition 218, compliance with the procedural requirements of Article XIII D, Section 4(c)-(g), the VCSD will hold a public hearing no less than 45 days after the date of notice, which will be held at the regular VCSD board meeting, July 6, 2023, 7:00 pm, at the Armory Hall.

At the public hearing on July 6, the Board of Directors will consider all comment and objections, if any, to the proposed water rate structure increase. The public hearing is intended to provide an opportunity for water users to obtain more information about the proposed increase. Any person interested, including all persons owning property served by the VCSD may appear and be heard as to whether the proposed user rates are discriminatory, excessive or will not be sufficient.

Written comments should be addressed to the Board of Directors, Volcano Community Services District, P.O Box 72, Volcano CA, 95689 or emailed to nance@volcano.net and should be received by the close of the public hearing on the rate increase. Any questions regarding the information in this notice may be directed to Nancy Bailey, President at (209) 296-4899.

Under Proposition 218, any owner or ratepayer may submit a written protest letter regarding the proposed increase. Protests must be in writing and filed with the VCSD. The protest may be filed with the VCSD at anytime before the close of the public hearing. Written protests may be mailed to the address noted above, or hand-delivered before the close of the public hearing, but all protests must be signed by the property owner and must include the service address or assessor's parcel number (APN). Please

include the property water meter number as well. Only one protest may be filed per parcel.

Please attend the public hearing and find out more.

This notice will be postmarked on or before May 22, and the public hearing will be July 6, allowing the public hearing to be no less than 45 days after the distribution of the notice.



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